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MARKETING & TRANSPORTATION Situation



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MARKET FACTS

Item	Unit or base period	1972			1973	
		Year	2nd Qtr.	3rd Qtr.	1st Qtr.	2nd Qtr.
Farm-Retail Price Spreads: <u>1/</u>						
Retail cost	Dol.	1,311	1,298	1,323	1,414	1,497
Farm value	Dol.	521	511	534	616	665
Farm-retail spread	Dol.	790	787	789	798	832
Farmer's share of retail cost	Pct.	40	39	40	44	44
Retail Prices: <u>2/</u>						
All goods and services (CPI)	1967=100	125.3	124.7	125.8	128.7	131.5
All food	1967=100	123.5	122.6	124.5	131.4	138.1
Food at home	1967=100	121.6	120.5	122.6	130.5	138.0
Food away from home	1967=100	131.1	130.4	131.9	134.9	138.6
Wholesale Prices: <u>2/</u>						
Food <u>3/</u>	1967=100	121.8	119.4	123.5	135.4	143.4
Cotton products	1967=100	121.8	121.5	123.1	128.1	137.3
Woolen products	1967=100	99.4	96.8	101.2	120.5	129.5
Agricultural Prices:						
Prices received by farmers	1967=100	126	123	127	151	164
Prices paid by farmers, interest, taxes and wage rates	1967=100	127	125	127	136	143
Prices of Marketing Inputs:						
Containers and packaging materials	1967=100	117	117	118	120	123
Fuel, power, and light	1967=100	126	125	127	131	135
Services <u>4/</u>	1967=100	138	137	139	142	144
Hourly Earnings:						
Food marketing employees <u>5/</u>	Dol.	3.45	3.43	3.45	3.60	3.63
Employees, private nonagricultural sector <u>2/</u>	Dol.	3.65	3.62	3.67	3.78	3.85
Farmers' Marketings and Income:						
Physical volume of farm marketings	1967=100	110	85	111	101	83
Cash receipts from farm marketings <u>6/</u> ..	Bil. dol.	60.7	59.8	60.5	72.4	75.5
Farmers' realized net income <u>6/</u>	Bil. dol.	19.7	19.3	19.3	24.0	24.5
Industrial Production: <u>7/</u>						
Food manufacturers	1967=100	118.4	118.8	118.9	120.5	121.4
Textile mill products	1967=100	114.7	113.4	115.3	120.4	--
Apparel products	1967=100	104.4	102.7	104.0	--	--
Tobacco products	1967=100	103.7	99.8	102.7	112.1	--
Retail Sales: <u>8/</u>						
Food stores	Mil. dol.	95,020	23,612	24,000	25,316	25,961
Eating and drinking places	Mil. dol.	33,891	8,349	8,445	9,203	9,248
Apparel stores	Mil. dol.	21,993	5,468	5,450	6,136	5,863
Consumers' Per Capita Income and Expenditures: <u>9/</u>						
Disposable personal income	Dol.	3,817	3,765	3,830	4,057	4,139
Expenditures for goods and services ...	Dol.	3,479	3,448	3,511	3,713	3,781
Expenditures for food	Dol.	599	597	603	634	646
Expenditures for food as percentage of disposable income	Pct.	15.7	15.9	15.7	15.6	15.6

1/ For a market basket of farm foods. 2/ Dept. of Labor. 3/ Processed foods, eggs, and fresh and dried fruits and vegetables. 4/ Includes such items as rent, property insurance and maintenance, and telephone. 5/ Average hourly earnings of production workers in food processing, and nonsupervisory workers in wholesale and retail food trades, calculated from Dept. of Labor data. 6/ Quarterly data seasonally adjusted at annual rates. 7/ Seasonally adjusted, Board of Governors of Federal Reserve System. 8/ Quarterly data seasonally adjusted, Dept. of Commerce. 9/ Seasonally adjusted annual rates, calculated from Dept. of Commerce data. Percentages have been calculated from total income and expenditure data.

MARKETING AND TRANSPORTATION SITUATION

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Principal contributors:
Henry Badger
Denis Dunham
Terry Crawford
Fenton Sands

Marketing Economics Division
Economic Research Service

U.S. Department of Agriculture
Washington, D.C. 20250

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SUMMARY

Retail food prices are expected to continue to rise in the last half of the year reflecting unusually sharp price increases for raw agricultural products and increasing marketing costs. Sharp increases in the third quarter are expected for meat products, poultry, and eggs resulting from the lifting of price ceilings and allowing of price increases for raw agricultural products to be passed through to retail. Marketing margins are expected to widen substantially in the fourth quarter as food marketing firms pass through other cost increases incurred during and since the price freeze. Food supplies are expected to rise some later this year but not enough to relieve the tight situation resulting from strong domestic and foreign demand. Accordingly, retail prices for foods from U.S. farms for the year may average 18 to 22 percent above 1972.

Rising consumer incomes and limited food supplies stimulated a further rise in prices in the second quarter of 1973. The retail cost of a market basket of foods produced on U.S. farms averaged \$1,497 (annual rate) in the second quarter, up 6 percent from the preceding quarter and 15 percent above a year earlier. Although retail prices for most products increased, beef, pork, poultry, and fresh fruits and vegetables accounted for most of the rise.

Gross returns to farmers (farm value of quantities of farm commodities equivalent to retail units) for market basket foods averaged \$665 in the second quarter of 1973, up 8 percent from the preceding quarter and 30 percent from the year-earlier level. Price increases were sharp for most products, especially poultry, soybeans, wheat, most fresh fruits and vegetables, and meat animals. Increases in the farm value of market basket foods were largest in June, averaging 5.5 percent.

Farmers received an average of 44 cents of the dollar consumers spent for farm foods in the second quarter of 1973, the same as in the previous quarter, but 5 cents more than a year earlier. The farmer's share was 45 cents in June.

The marketing spread—the difference between the retail cost and farm value—averaged \$832 in the second quarter of this year, up 4.3 percent from the previous quarter and 5.7 percent above a year earlier. Farm-retail spreads widened for most products, but increases were greatest for poultry and fresh vegetables. Marketing

spreads increased in April and May but decreased sharply in June as returns to farmers rose faster than retail prices.

The marketing bill—an estimate of the cost of transporting, processing, and distributing farm food products—rose 2.4 percent in 1972 from 1971 to \$77.2 billion. This increase was less than half the average annual increase during the past 10 years. Labor costs, nearly half of the bill, rose 8 percent, reflecting a further rise in hourly earnings of employees and man-hours worked by employees of food marketing firms. Rail and truck transportation costs rose less than 2 percent to \$6.1 billion. Before-tax profits that firms derived from marketing farm foods totaled \$3.4 billion, down 8

percent from 1971 despite sales gains.

Farmers received \$39 billion for farm food products in 1972, 10.5 percent more than in 1971. This was the largest dollar increase in farm value since annual estimates were first made in 1947. Meat products accounted for three-fourths of the increase in total farm value. The farm value of food products represented about a third of the amount consumers spent for these foods in 1972 but less than 5 percent of disposable personal income.

In 1972, consumers spent \$116.2 billion for domestic farm foods, 5 percent more than in 1971. Increased meat expenditures, reflecting sharply higher prices, accounted for more than half of the rise.

FARM-FOOD MARKET BASKET STATISTICS

Retail Cost: Prices for foods from U.S. farms rose at all market levels in the second quarter of this year as supplies of many foods tightened (fig. 1). Consumers paid an average of \$1,497 (annual rate) in the second quarter of 1973 for a market basket of foods produced on U.S. farms. This cost was up 5.9 percent from the previous quarter (table 1).¹ Retail costs rose \$83 in each of the past two quarters, the largest jump on record. Retail costs rose in the second quarter for most product groups except for a slight decrease for eggs. Substantial increases for beef, pork, poultry, and fresh fruits and vegetables accounted for most of the rise. Retail prices for market basket foods increased each month of the quarter—1.6 percent in April, 0.9 percent in May, and 1.5 percent in June (table 2).

In the second quarter of 1973, the retail cost of market basket foods averaged 15.4 percent higher than a year earlier, reflecting higher prices for most foods. Three product areas accounted for 85 percent of the rise—meat products, poultry and eggs, and fresh fruits and vegetables. Meat products were up 23 percent and accounted for almost half of the rise in the retail cost of the market basket. Fresh fruits and vegetables, up 28

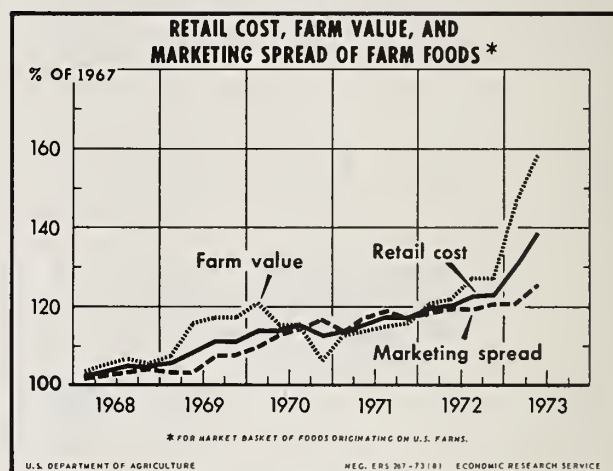


Figure 1

percent, accounted for one-fifth of the rise, while poultry and egg prices rose 41 percent and accounted for about one-sixth. Price increases for other product groups were smaller and contributed less than 5 percent each to the rise in retail cost.

So far this year, retail prices for market basket foods have risen faster than most other goods and services purchased by consumers unlike the past 20 years. Consumers paid 38 percent more for U.S. farm food in retail food stores than in 1967. The Consumer Price Index for all other items purchased rose 30 percent. However, compared with 20 years ago, market basket foods were 57 percent higher, and other items in the CPI, 64 percent higher.

Farm Value: Returns to farmers for foods in the market basket averaged \$665 (annual rate) in the second quarter of 1973, up \$49, or 7.9 percent, from the previous quarter (table 1). Increases were particularly sharp for poultry, soybeans (for fat and oil products), and fresh fruits and vegetables. Returns for cattle, hogs,

¹ The market basket contains the average quantities of domestic, farm-originated food products purchased annually per household in 1960 and 1961 by wage-earners and clerical worker families and single workers living alone. Its retail cost is calculated from retail prices published by the Bureau of Labor Statistics. The retail cost of the market basket foods is less than the cost of all foods bought per household, since it does not include cost of meals in eating places, imported foods, seafoods or other foods not of U.S. farm origin. The farm value is the gross return to farmers for the farm products equivalent to foods in the market basket minus allowances for byproducts. It is based on prices at the first point of sale and may include some marketing charges incurred by farmers such as grading and packing for some commodities. The farm retail spread—difference between the retail cost and farm value—is an estimate of the total gross margin received by marketing firms for assembling, processing, transporting, and distributing the products in the market basket.

Table 1.--The market basket of farm foods by product group: Retail cost, farm value and farm-retail spread, second quarter 1973 with comparisons 1/.

Item	II	Change from:			
	1973	Previous quarter		Year ago	
	Dollars	Dollars	Percent	Dollars	Percent
	Retail cost				
Market basket	1,497.05	83.22	5.9	199.20	15.3
Meat	507.11	30.50	6.4	93.72	22.7
Dairy	239.94	5.46	2.3	10.20	4.4
Poultry	70.30	10.34	17.2	20.31	40.6
Eggs	49.90	-.42	-.8	14.68	41.7
Bakery and cereal ...	203.91	7.86	4.0	11.03	5.7
Fresh fruits	66.24	5.58	9.2	8.70	15.1
Fresh vegetables	119.12	18.02	17.8	32.35	37.3
Processed fruits and vegetables	133.17	2.75	2.1	5.18	4.0
Fats and oils	46.66	2.05	4.6	1.06	2.3
Miscellaneous	60.70	1.08	1.8	1.97	3.4
	Farm value				
Market basket	665.19	48.88	7.9	154.67	30.3
Meat	312.58	18.31	6.2	72.86	30.4
Dairy	114.75	1.75	1.5	6.13	5.6
Poultry	40.73	6.78	20.0	17.24	73.4
Eggs	33.28	-.15	-.4	15.08	82.9
Bakery and cereal ...	41.28	3.26	8.6	10.96	36.1
Fresh fruits	23.66	2.92	14.1	7.40	45.5
Fresh vegetables	46.31	9.86	27.1	18.96	69.3
Processed fruits and vegetables	24.69	.38	1.6	.55	2.3
Fats and oils	17.66	5.30	42.9	4.24	31.6
Miscellaneous	10.25	.47	4.8	1.25	13.9
	Farm-retail spread				
Market basket	831.86	34.34	4.3	44.53	5.7
Meat	194.53	12.19	6.7	20.86	12.0
Dairy	125.19	3.71	3.1	4.07	3.4
Poultry	29.57	3.56	13.7	3.07	11.6
Eggs	16.62	-.27	-1.6	-.40	-2.4
Bakery and cereal ...	162.63	4.60	2.9	.07	2/
Fresh fruits	42.58	2.66	6.7	1.30	3.1
Fresh vegetables	72.81	8.16	12.6	13.39	22.5
Processed fruits and vegetables	108.48	2.37	2.2	4.63	4.5
Fats and oils	29.00	-3.25	-10.1	-3.18	-9.9
Miscellaneous	50.45	.61	1.2	.72	1.4

1/ The market basket contains the average quantities of farm-originated foods purchased annually per household in 1960-61. Retail cost is calculated from U.S. average retail prices collected by the Bureau of Labor Statistics. Farm value is payment to farmer for equivalent quantities of farm products minus imputed value of byproducts obtained in processing. Quarterly data are annual rates. Additional data are shown in tables at the back of this report.

2/ Less than 0.05 percent.

Table 2.--The market basket of farm food: Indexes of retail cost, farm value, and farm-retail spread, and farmer's share of the retail cost ^{1/}

Year and quarter	Retail cost	Farm value	Farm-retail spread	Farmer's share	Month	Retail cost	Farm value	Farm-retail spread	Farmer's share
	1967 = 100		Percent			1967 = 100		Percent	
Average:					1971				
1947-49 ..	82.9	106.9	67.7	50	January ..	112.3	108.8	114.5	38
1957-59 ..	91.5	94.8	89.5	40	February ..	113.3	114.1	112.8	39
					March	114.0	114.1	114.0	39
1962	93.3	94.1	92.8	39	April	115.1	113.3	116.2	38
1963	93.2	90.2	95.1	38	May	115.5	113.8	116.6	38
1964	93.4	90.0	95.5	37	June	116.7	114.4	118.2	38
1965	96.0	99.2	93.9	40	July	117.7	116.7	118.4	38
1966	101.1	106.3	97.8	41	August ...	117.7	116.6	118.4	38
1967	100.0	100.0	100.0	39	September :	116.4	113.3	118.3	38
1968	103.6	105.3	102.5	39	October ...	115.8	114.2	116.8	38
1969	109.1	114.8	105.5	41	November ..	116.1	116.4	115.9	39
1970	113.7	114.1	113.4	39	December ..	117.9	117.4	118.2	39
1971	115.7	114.4	116.5	38					
1972 ^{2/}	121.3	124.4	119.3	40	1972 ^{2/} :				
					January ..	117.8	120.0	116.4	40
1970					February ..	120.3	122.3	119.0	39
I	113.9	120.3	109.8	41	March	120.4	120.6	120.3	39
II	113.9	115.0	113.2	39	April	119.9	119.9	119.9	39
III	114.7	114.8	114.6	39	May	119.8	121.5	118.7	39
IV	112.3	106.1	116.3	37	June	120.6	124.1	118.4	40
					July	122.2	127.7	118.7	41
1971					August ...	122.6	126.0	120.4	40
I	113.2	112.3	113.8	38	September :	122.6	128.5	118.8	41
II	115.7	113.8	117.0	38	October ...	122.5	125.3	120.7	40
III	117.3	115.5	118.4	38	November ..	123.1	126.3	121.1	40
IV	116.7	116.0	117.0	39	December ..	123.8	131.5	118.9	41
1972					1973				
I	119.5	120.9	118.6	39	January ...	127.2	140.6	118.7	43
II	120.1	121.8	119.0	39	February ..	130.4	145.2	121.0	43
III	122.5	127.4	119.3	40	March	134.9	155.4	121.9	45
IV	123.1	127.7	120.3	40	April	137.0	156.2	124.9	44
					May	138.2	155.7	127.1	44
1973					June	140.4	164.3	125.2	45
I	130.8	147.1	120.5	44	July				
II	138.5	158.7	125.7	44	August ...				
III					September :				
IV					October ...				
					November ..				
					December ..				

^{1/} Retail cost of average quantities of farm-originated foods purchased annually per household in 1960-61 by urban wage-earner and clerical worker families and workers living alone, calculated from retail prices collected by the Bureau of Labor Statistics. Beginning November 1971, the retail cost is based on the index of domestically produced farm foods--a component of the Consumer Price Index published by the Bureau of Labor Statistics. Indexes may be converted to dollar totals by multiplying by the following amounts for 1967: retail cost, \$1,080.64; farm value, \$419.07; and farm-retail spread, \$661.57. Additional historical data are published in Farm-Retail Spreads for Food Products, Misc. Pub. 741, January 1972.

^{2/} Preliminary.

and wheat were up more moderately. The higher returns to farmers were reflected in about three-fifths of the rise in the retail cost of the market basket from the previous quarter.

The farm value of market basket foods tended to stabilize at the March level in April and May, but increased sharply in June as prices for meat animals, eggs, and selected fresh fruits and vegetables pushed higher.

Compared with a year earlier, second quarter returns to farmers for market basket foods were up 30 percent. About three-fourths of this rise resulted from higher returns for animal products. Farm values for eggs were up 83 percent; poultry, 73 percent; meat animals, 30 percent; and milk, 6 percent. Wheat, soybeans, and fresh fruits and vegetables (particularly apples, potatoes, onions, and lettuce) were sharply higher and accounted for most of the rise in the farm value of crop products in the market basket.

The farm value for market basket foods in the second quarter averaged 59 percent above 1967 and 57 percent above the level 20 years ago.

Farm-Retail Spread: Retail costs for market basket foods rose faster than the farm value in the second quarter, reflecting an increase in margins of marketing firms which process, transport, and distribute foods from U.S. farms. The spread between the retail cost and farm value of market basket foods averaged \$832 in the second quarter, up \$34 or 4.3 percent from the first quarter. Farm-retail spreads widened for all product groups except eggs and fat and oil products. Increases were greatest for poultry and fresh vegetables.

Compared with a year earlier, second quarter marketing spreads averaged 5.7 percent wider. Spreads widened 12 percent for meat products and poultry and 23 percent for fresh vegetables. In contrast, marketing spreads declined 10 percent for fat and oil products and 2 percent for eggs, while those for bakery and cereal products changed little. Widening marketing spreads accounted for more than a fifth of the rise in the retail cost of the farm food market basket from a year ago.

Second quarter marketing spreads averaged 26 percent wider than in 1967 and 57 percent greater than 20 years ago.

Farmer's Share: Farmers received an average of 44 cents of a dollar spent by consumers in retail food stores for market basket foods in the second quarter this year, the same as in the previous quarter, but up 5 cents from a year earlier. The farmer's share was 45 cents in June.

In the past decade, farmer's share by quarter ranged from 36 to 44 cents. The share averaged less than 40 cents about two-thirds of the time. Twenty years ago, the farmer's share was 44 cents of the consumer's retail food dollar, the same as in the second quarter this year.

Phase IV Food Controls

On July 18, regulations were announced for Phase IV of the economic stabilization program. Freeze prices

remained in effect until August 12 in most sectors of the economy. As a result of problems that developed in the food sector during the freeze, a special set of rules, consisting of two stages, were established for food.

Price ceilings were immediately lifted on all food products, except beef, to permit pass-through on a dollar-for-dollar basis of raw agricultural product cost increases incurred since June 8 by processors, distributors, and retailers. No cost other than raw material cost increases can be passed through. Decreases in raw agricultural costs also must be passed through. Ceilings on beef prices established March 29 will continue until September 12 when they will be lifted and beef prices become subject to the same restrictions that now apply to other foods.

The second stage of the food control program of Phase IV begins September 12 and will permit pass-through of other cost increases on a dollar-for-dollar basis. Unlike other phases of the control program, the pricing rule for Phase IV does not allow any profit maintenance or margin on additional costs. This second stage of the food control program will place the food sector under controls similar to the rules for other sectors of the economy. In addition to the stipulation of cost pass-through only, the rules provide that profit margins may not be increased above the average for the best 2 out of a firm's last 5 fiscal years.

Outlook

Retail food prices are expected to continue to rise in the second half of 1973 reflecting both higher prices for products from U.S. farms and rising marketing costs. Sharp price increases are underway in the third quarter for most foods, especially meat products, poultry, and eggs following the lifting of price ceilings, allowing price increases for raw agricultural products to be passed through to retail. Price increases for raw agricultural products since the retail price freeze was imposed indicate that retail prices of farm produced foods are rising very sharply from July to August. Beef prices may rise sharply following the lifting of ceilings on beef.

Marketing margins are expected to widen in the fourth quarter as food marketing firms pass through cost increases incurred during and since the price freeze. Although food supplies are expected to rise some, the increase may not relieve the tight situation resulting from extremely strong domestic and foreign demand. Retail prices for foods from U.S. farms for the year may average 18-22 percent above 1972 depending on the level of food supplies and exports, and changing economic policy and consumer demand.

Commodity Highlights

Beef: Price ceilings for beef, initiated March 29, stopped the rapid price rise that began in December 1972. Retail prices for Choice beef averaged about \$1.36 per pound for April, May, and June—less than 1 cent

higher than in March. This average price for the quarter was about 7 cents higher than during January-March of this year (table 3). Returns to farmers for the 2.28 pounds of live cattle, which is equivalent to 1 pound of retail cuts less value of byproducts, increased 5.5 cents from the first quarter to a total of 92.9 cents. The farm-retail spread widened by 1.1 cents. All of the increase was in the carcass-retail segment of the marketing spread. In addition to the gross margin for retailing, this segment includes charges made for services such as fabricating, brokerage, and transportation from packing plants. The farm-carcass spread, mainly the packer's spread, was squeezed.

Retail prices for Choice beef averaged 23.5 cents per pound higher in the second quarter of 1973 than a year earlier. The farm value was up 19.3 cents. Prices for Choice steers in seven leading Midwestern markets and California (used in computing the gross farm value for Choice beef) averaged \$46 per hundredweight in June, compared with \$37 a year earlier. The farm-retail spread in the second quarter averaged 4.2 cents higher than a year earlier. Wider carcass-retail spreads contributed directly to the increase. The farm-carcass spread decreased.

Pork: The composite retail price of pork cuts averaged \$1.03 per pound in the second quarter, the highest quarterly average on record and 5 cents per pound more than in the previous quarter. The rise resulted mainly from a 3.8 cent increase in the farm-retail spread. The farm value rose 1.2 cents to reach 64.9 cents in the second quarter.

Ceilings, imposed on pork March 29, tended to hold the retail price close to the March level during April and May, but prices nudged slightly higher in June. Rising hog prices in May and June pushed farm values higher, squeezing the farm-wholesale segment of the farm-retail spread, which is mainly the packer's margin. It declined from 16.1 cents in April, to 14.3 cents in May and to 12.7 cents in June. The wholesale-retail spread, mainly the retailer's margin, changed little from a record level in April.

Pork prices and margins the second quarter were much higher than year-ago levels. The farm value of pork was 20.6 cents, or 46 percent, higher in the second quarter this year than a year earlier. Retail prices were up 23.2 cents, or 29 percent. The farm-retail spread increased the least—2.6 cents, or 7 percent, above last year's level. The wholesale-retail spread was 4.9 cents above a year earlier, but the farm-wholesale spread was 2.3 cents lower.

Eggs: Retail prices for Grade A large eggs averaged 69 cents per dozen in the second quarter of this year—20.6 cents higher than the low levels of a year earlier. The farm value rose by about the same amount to reach 46 cents per dozen. The farm-retail spread changed little. Retail prices for eggs reached their highest level for the quarter in June—70.5 cents per dozen. Principal factors in rising egg prices were a 4-percent decline in egg

production from a year earlier and higher prices for other high protein foods.

Frying Chickens: Retail prices for ready-to-cook frying chickens rose sharply in the second quarter as consumers continued to increase their demand for poultry meat because of rising red meat prices. Broiler production in the second quarter was about 2 percent below a year ago. Average retail prices for frying chickens jumped 8.4 cents from the previous quarter to a total of 58.3 cents per pound, the highest quarterly average in 20 years. The farm value for broilers rose 5.4 cents as feed costs continued to rise sharply. The farm-retail spread increased 2.7 cents in the second quarter, pushing retail prices higher.

Second quarter retail prices for frying chickens were up 17.6 cents from a year earlier. The farm value increased 14.7 cents, and the farm-retail spread widened by 2.9 cents.

Fresh Vegetables: Rising prices for fresh vegetables in the second quarter accounted for more than one-fifth of the increase in the retail cost of market basket foods from the previous quarter. Short supplies of several key vegetables, induced by adverse weather, pushed prices up at all market levels. The retail cost of fresh vegetables in the market basket was up 37 percent from a year earlier. Farm values jumped 69 percent, while the farm-retail spread increased 23 percent.

Although retail prices were up for most fresh vegetables, sharply higher prices for lettuce, onions, and potatoes contributed most to the rise. Retail prices for lettuce averaged 50.3 cents per head in the second quarter, up 18.8 cents from a year earlier. The farm value for lettuce jumped from 9.6 cents to 22.4 cents, and the farm-retail spread widened 6 cents. A shortage caused potato prices to increase similar to those for lettuce. The retail price for 10 pounds of potatoes averaged \$1.40 in the second quarter, climbing 55 cents from a year earlier. Returns to farmers for potatoes rose to 54.8 cents, up 30 cents from the very low levels of a year earlier, and marketing spreads widened by 25 cents. Potato prices rose each month during the second quarter and averaged \$1.65 for 10 pounds at retail in June, returning 65 cents to farmers, less some packing expenses, and \$1.00 to marketers.

Bread: The retail price for a 1-pound loaf of bread averaged 26.2 cents in the second quarter of 1973, up 1.1 cents from the first quarter, mainly reflecting an increase in the farm-retail spread, particularly the retail component. Retail bread prices averaged 1.5 cents higher than a year earlier, with all of the rise occurring in the first and second quarters this year following the relaxation of price controls. In 1972, retail bread prices rose little despite rising flour and other ingredient costs, which were largely absorbed in the baker-wholesaler margin.

The farm value of ingredients in a 1-pound loaf of bread in the second quarter averaged 4.8 cents, 0.2 cent

Table 3.--Beef, pork, and lamb: Retail price, carcass value, farm value, farm-retail spread, and farmer's share of retail price, annual 1969-72, quarterly 1972-73

Date	Retail price	Carcass	Gross	Byproduct	Net	Farm-retail spread			Farmer's share
	per pound 1/	value 2/	farm value 3/	allowance 4/	farm value 5/	Total	Carcass- : retail	Farm- : carcass	
	Cents								Percent
	Beef, Choice grade								
1969	96.2	68.7	66.9	4.7	62.2	34.0	27.5	6.5	65
1970	98.6	68.3	66.3	4.8	61.5	37.1	30.3	6.8	62
1971	104.3	75.6	72.4	4.5	67.9	36.4	28.7	7.7	65
1972	113.8	80.0	79.9	7.4	72.5	41.3	33.8	7.5	64
1972									
Jan.-Mar. ...	114.4	81.4	79.4	5.7	73.7	40.7	33.0	7.7	64
Apr.-June ...	112.3	81.2	80.6	7.0	73.6	38.7	31.1	7.6	66
July-Sept. ...	115.3	79.8	80.6	7.9	72.7	42.6	35.5	7.1	63
Oct.-Dec. ...	113.2	77.7	79.0	8.9	70.1	43.1	35.5	7.6	62
1973									
Jan.-Mar. ...	129.2	95.0	96.8	9.4	87.4	41.8	34.2	7.6	68
Apr.-June ...	135.8	100.0	102.9	10.0	92.9	42.9	35.8	7.1	68
July-Sept. ...									
Oct.-Dec. ...									
	Pork								
1969	74.3	58.5	45.5	3.2	42.3	32.0	15.8	16.2	57
1970	78.0	58.7	42.9	3.4	39.5	38.5	19.3	19.2	51
1971	70.3	52.1	35.0	2.7	32.3	38.0	18.2	19.8	46
1972	83.2	65.2	51.4	3.5	47.9	35.3	18.0	17.3	54
1972									
Jan.-Mar. ...	79.0	61.3	47.1	3.3	43.8	35.2	17.7	17.5	55
Apr.-June ...	79.9	61.0	47.7	3.4	44.3	35.6	18.9	16.7	55
July-Sept. ...	86.1	67.1	55.3	3.7	51.6	34.5	19.0	15.5	60
Oct.-Dec. ...	87.7	71.5	55.4	3.7	51.7	36.0	16.2	19.8	59
1973									
Jan.-Mar. ...	98.1	79.9	68.6	4.9	63.7	34.4	18.2	16.2	65
Apr.-June ...	103.1	79.3	71.0	6.1	64.9	38.2	23.8	14.4	63
July-Sept. ...									
Oct.-Dec. ...									
	Lamb, Choice grade								
1969	100.7	74.8	66.9	7.6	59.3	41.4	25.9	15.5	59
1970	105.5	73.8	65.1	6.4	58.7	46.8	31.7	15.1	56
1971	109.9	75.1	63.1	5.9	57.2	52.7	34.8	17.9	52
1972	118.3	79.7	70.5	7.5	63.0	55.3	38.6	16.7	53
1972									
Jan.-Mar. ...	114.4	77.7	67.1	6.5	60.6	53.8	36.7	17.1	53
Apr.-June ...	116.4	81.6	71.6	7.4	64.2	52.2	34.8	17.4	55
July-Sept. ...	120.5	82.8	73.9	7.8	66.1	54.4	37.7	16.7	55
Oct.-Dec. ...	122.1	76.5	69.4	8.3	61.1	61.0	45.6	15.4	50
1973									
Jan.-Mar. ...	131.8	89.3	87.3	12.8	74.5	57.3	42.5	14.8	57
Apr.-June ...	138.7	89.5	85.4	13.4	72.0	66.7	49.2	17.5	52
July-Sept. ...									
Oct.-Dec. ...									

1/ Estimated weighted average price of retail cuts. 2/ For quantity equivalent to 1 lb. of retail cuts: Beef: 1.41 lb. of carcass beef; pork, 1.07 lb. of wholesale cuts; lamb, 1.18 lb. of carcass lamb.

3/ Payment to farmer for quantity of live animal equivalent to 1 lb. of retail cuts: Beef, 2.28 lb.; pork, 1.97 lb.; lamb, quantity varies by months from 2.42 lb. in May to 2.48 lb. in October. 4/ Portion of gross farm value attributed to edible and inedible byproducts. 5/ Gross farm value minus byproduct allowance.

Table 4 .--Changes in retail price, farm value, and farm-retail spread for selected market basket foods, second quarter 1973 with comparisons.

Item	Change from:			Change from:		
	II	Previous	Year	II	Previous	Year
	1973	quarter	ago	1973	quarter	ago
	Cents	Percent	Percent	Cents	Percent	Percent
Butter, pound			Cheese, American, $\frac{1}{2}$ pound			
Retail price	85.2	-2.6	-2.2	58.5	3.7	8.1
Farm value	51.4	-10.0	-12.3	27.1	4.6	13.9
Farm-retail spread	33.8	11.2	18.6	31.4	3.0	3.6
Milk, sold in stores, $\frac{1}{2}$ gallon			Chicken, frying, pound			
Retail price	62.6	1.8	4.3	58.3	16.8	43.2
Farm value	32.4	2.2	7.6	33.7	19.1	77.4
Farm-retail spread	30.2	1.3	1.0	24.6	13.9	13.4
Eggs, large grade A, dozen			Corn flakes, 12 ounces			
Retail price	69.0	-1.0	42.6	31.9	3.9	1.9
Farm value	46.0	-.9	84.0	3.3	37.5	65.0
Farm-retail spread	23.0	-1.3	-1.7	28.6	1.1	-2.4
Apples, pound			Oranges, dozen			
Retail price	30.9	21.7	23.6	102.1	4.2	13.8
Farm value	13.0	35.4	71.1	21.9	1.9	11.7
Farm-retail spread	17.9	13.3	2.9	80.2	4.8	14.4
Lettuce, head			Tomatoes, pound			
Retail price	50.0	34.0	58.7	46.8	-11.5	-5.5
Farm value	22.4	79.2	133.3	19.7	-6.6	8.8
Farm-retail spread	27.6	11.3	26.0	27.1	14.8	-13.7
Orange juice, frozen, 6 oz. can			Margarine, pound			
Retail price	25.1	0	.4	34.2	4.6	2.7
Farm value	8.3	-11.7	-22.4	13.4	54.0	39.6
Farm-retail spread	16.8	7.0	17.5	20.8	-13.3	-12.2
Potatoes, 10 pounds			Peas, frozen, 10 ounces			
Retail price	141.2	26.9	65.1	23.6	1.3	5.4
Farm value	51.4	44.4	140.2	3.6	0	0
Farm-retail spread	89.8	18.6	40.1	20.0	1.5	6.4

1/ Data for additional foods are shown in tables at back of this report.

over the first quarter and 1.2 cents above a year earlier. Most of the increase in farm value from the first to second quarter was due to a further rise in the price of bread-type wheat. Farm value of bread in the first half of this year exceeded the previous record high in 1947.

The farm-retail spread for bread widened 0.9 cent from the first to second quarter this year to reach 21.4 cents. Most of the increase was in the retailer's margin,

which rose 0.6 cent in the second quarter to reach the highest level since late 1971—5.3 cents. The baker-wholesaler's spread was up 0.1 cent to 13.5 cents. The flour miller's spread declined by 0.2 cent to an 0.7 cent level in the second quarter. Other spreads for handling, storing, transporting, purchasing nonfarm ingredients, and processing nonflour ingredients used in bread were up 0.4 cent over the first quarter (table 5).

TABLE 5 --WHITE PAN BREAD: ESTIMATED RETAIL AND WHOLESALE PRICE OF A 1-POUND LOAF; RETAILER'S, WHOLESALER'S, MILLER'S AND OTHER SPREADS; FARM VALUE OF INGREDIENTS; FLOUR AND WHEAT PRICES AND RELATED DATA, APRIL-JUNE 1973 AND PREVIOUS 4 QUARTERS.

ITEM	1973									
	1972					1973				
	II	III	IV	I		APRIL	MAY	JUNE	II	
UNIT										
RETAIL PRICE 1/	24.7	24.7	24.7	25.1		25.8	26.3	26.4	26.2	
RETAIL SPREAD 2/	4.6	4.5	4.5	4.7		5.0	5.4	5.6	5.3	
WHOLESALE PRICE 4/	20.0	20.2	20.3	20.4		20.8	20.9	20.9	20.8	
BAKED-WHOLESALE SPREAD 4/	14.0	13.9	13.3	13.4		13.5	13.8	13.2	13.5	
COST TO BAKER										
ALL INGREDIENTS 5/	4.0	4.3	6.9	7.0		7.3	7.1	7.7	7.4	
FLOUR 6/	3.4	4.2	4.6	4.8		4.9	4.7	5.2	4.9	
MILL SALES VALUE OF FLOUR 7/	3.5	3.8	4.4	4.5		4.7	4.4	4.9	4.7	
MILLER'S FLOUR SPREAD 7/	0.0	0.7	0.8	0.9		0.8	0.7	0.7	0.7	
COST OF WHEAT TO MILLER 8/	3.0	3.1	3.6	3.6		3.9	3.7	4.3	4.0	
OTHER SPREADS 9/	1.9	1.8	1.8	1.5		1.8	1.8	1.7	1.9	
FARM VALUE										
ALL INGREDIENTS 10/	3.6	3.8	4.3	4.6		4.7	4.6	5.2	4.8	
WHEAT 11/	2.6	2.8	3.4	3.4		3.5	3.4	3.9	3.6	
FLOUR PRICES 12/										
F.O.B. MILL	5.50	6.07	6.91	7.13		7.41	6.91	7.78	7.37	
DELIVERED TO BAKERS	6.06	6.57	7.37	7.52		7.72	7.42	8.28	7.81	
FLOUR SALES 12/										
SOLD TO BARS	21	13	18	19		28	15	20	21	
PRICE DIFFERENTIAL FOR BAGS	15	17	17	17		17	18	18	18	
WHEAT PRICES										
FARM DELIVERY POINT 13/	1.33	1.51	2.03	2.08		2.07	2.08	2.39	2.18	
DELIVERED TO MILLERS 14/	2.35	2.50	2.94	3.00		3.09	3.14	3.46	3.23	

- 1/ BASED ON PRICES REPORTED BY BUREAU OF LABOR STATISTICS.
- 2/ SPREAD BETWEEN RETAIL AND WHOLESALE PRICES. THIS SPREAD IS COMPUTED FROM UNROUNDED DATA AND MAY NOT REFLECT THE DIFFERENCE BETWEEN PRICES AS ROUNDED.
- 3/ ESTIMATED FROM BLS PRICES AND TRADE DATA.
- 4/ SPREAD BETWEEN WHOLESALE PRICE AND COST TO BAKER OF ALL INGREDIENTS. THIS SPREAD IS COMPUTED FROM UNROUNDED DATA AND MAY NOT REFLECT THE DIFFERENCE BETWEEN PRICE AND COST DATA AS ROUNDED.
- 5/ COST OF FLOUR PLUS SHORTENING, NONFAT DRY MILK, SUGAR AND OTHER MINOR NONFARM PRODUCED INGREDIENTS.
- 6/ COST OF SALES VALUE OF FLOUR (0.6329 LB.) USED PER POUND OF BREAD.
- 7/ SPREAD BETWEEN MILL SALES VALUE OF FLOUR AND COST OF WHEAT TO MILLER. THIS SPREAD IS COMPUTED FROM UNROUNDED DATA AND MAY NOT REFLECT THE DIFFERENCE BETWEEN MILL SALES VALUE AND COST AS ROUNDED.
- 8/ COST OF WHEAT (0.1425 BU.) INCLUDING MARKETING CERTIFICATE.
- 9/ CHARGES FOR TRANSPORTING, HANDLING, STORING ALL INGREDIENTS, FOR PROCESSING INGREDIENTS OTHER THAN FLOUR AND COST OF NONFARM PRODUCED INGREDIENTS SUCH AS YEAST, SALT, AND MALT EXTRACT. THIS SPREAD IS A RESIDUAL FIGURE COMPUTED FROM DATA AS ROUNDED.
- 10/ RETURNS TO FARMERS FOR WHEAT, INCLUDING AN ALLOWANCE FOR THE MARKETING CERTIFICATE, LARD, SHORTENING, NONFAT DRY MILK, AND SUGAR USED IN A 1-POUND LOAF.
- 11/ RETURNS TO FARMERS FOR WHEAT, INCLUDING THE CERTIFICATE, LESS IMPUTED VALUE OF MILLFEED BYPRODUCTS.
- 12/ BASED ON MONTHLY SALES AND PRICES OF BAKED-TYPE FLOUR REPORTED BY A SAMPLE OF FLOUR MILLING FIRMS.
- 13/ WEIGHTED AVERAGE FOR HARD WINTER AND SPRING WHEAT IN THE 10 MAJOR WHEAT PRODUCING STATES.
- 14/ INCLUDES ALLOWANCE FOR MARKETING CERTIFICATE.

THE BILL FOR MARKETING FARM-FOOD PRODUCTS

ABSTRACT: The marketing bill—an estimate of all costs and profits incurred in transporting, processing, and distributing farm food products—totaled \$77.2 billion in 1972, up only 2.4 percent over 1971 and less than half the average increase of the past 10 years. Among major cost components, labor costs accounted for almost half of the bill; packaging materials, 12 percent; and transportation, 8 percent. Corporate firms derived \$3.4 billion in before-tax profits from marketing farm foods in 1972, over 4 percent of the bill. Marketing costs and profits of processors were \$26.8 billion, more than a third of the total marketing bill. Costs and profits of other agencies were \$22.4 billion for retailing, \$17.7 billion for eating places, and \$10.3 billion for wholesalers. Consumer food expenditures were up 5 percent to \$116.2 billion in 1972. Farmers received \$39 billion for farm food products, 10½ percent more than in 1971.

KEYWORDS: Marketing bill, food costs, farm value, food expenditures.

The marketing bill is an estimate of the total cost of transporting, processing, and distributing U.S. farm-originated foods purchased by civilian consumers. It is the difference between consumer expenditures and farm value (fig. 2). The marketing bill statistics show the distribution of consumer expenditures between the marketing system and farmers and the distribution of marketing costs among commodity groups, marketing agencies, and individual cost components such as labor.¹

This article presents the consumer expenditures, farm value, and marketing bill for U.S. farm foods in 1972. Data are analyzed by commodity group, factors affecting the rise in the bill, and cost components. For the first time, this article also presents data on the portion of the marketing bill attributed to each marketing agency (retailers, wholesalers, processors, and eating places) as well as each agency's profits and labor cost for 1958-72.

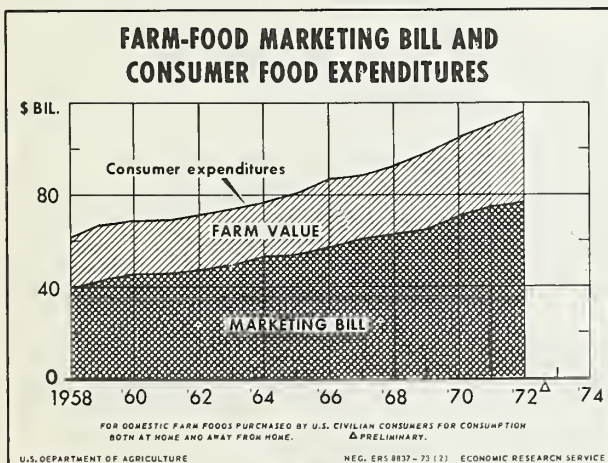


Figure 2

¹ For further information see, "Major Statistical Series of the U.S. Department of Agriculture: How They are Constructed and Used," Volume 4. Agricultural Marketing Costs and Charges, Agri. Handb. No. 365, U.S. Depart. of Agric.

Consumer Expenditures

In 1972, civilian consumers spent \$116.2 billion on foods originating on U.S. farms, 5 percent more than in 1971 (table 6). The increase in expenditures reflected an increase of \$3.7 billion in farm value and \$1.8 billion in the marketing bill. Included in the total are expenditures for food in retail stores, costs of food purchased in restaurants and other away-from-home eating establishments, and the value of food served by schools, hospitals, and other institutions.

Consumer expenditures for meat products rose 9.2 percent in 1972, almost double the rise in total food expenditures. Although supplies of meat products were down in 1972, increased demand and rising meat prices combined to substantially increase expenditures for meat. Increased meat expenditures accounted for more than half of the increase in consumer expenditures for food in 1972 (table 7). Prices for meat products averaged 11.7 percent higher than in 1971. Per capita consumption of pork dropped 8 percent from the near-record level in 1971 to near the previous level of the late 1960's. Per capita beef consumption was up 3

Table 6.--Marketing bill, farm value, and consumer expenditures for domestic farm-food products bought by civilians, 1947-72

Year	Expenditures <u>1/</u>	Marketing bill	Farm value <u>2/</u>
	<u>Billion dollars</u>		
1947	41.9	22.6	19.3
1948	44.8	24.9	19.9
1949	43.4	26.0	17.4
1950	44.0	26.0	18.0
1951	49.2	28.7	20.5
1952	50.9	30.5	20.4
1953	51.0	31.5	19.5
1954	51.1	32.3	18.8
1955	53.1	34.4	18.7
1956	55.5	36.3	19.2
1957	58.3	37.9	20.4
1958	61.0	39.6	21.4
1959	63.6	42.4	21.2
1960	66.9	44.6	22.3
1961	68.7	45.7	23.0
1962	71.3	47.6	23.7
1963	74.0	49.9	24.1
1964	77.5	52.6	24.9
1965	81.1	54.0	27.1
1966	86.9	57.1	29.8
1967	89.2	60.4	28.8
1968	93.9	63.5	30.4
1969	98.8	65.1	33.7
1970	106.0	71.2	34.8
1971	110.7	75.4	35.3
1972 <u>3/</u>	116.2	77.2	39.0

1/ Consumer expenditures for domestic farm-food products; excluded are expenditures for imported foods, fish and other foods not originating on U.S. farms, alcoholic beverages, food consumed on farms where produced, and military food purchases. Foods are valued at retail store prices except food sold in the form of meals and those sold at less than retail prices which are valued at the point of sale.

2/ The farm value is the gross return to farmers for products equivalent to those sold to consumers. Values of inedible byproducts, nonfood products, and exports are not included.

3/ Preliminary.

Note: Beginning with 1960, estimates are for 50 states.

Table 7.--The total marketing bill, farm value, and consumer expenditures by commodity group, for domestic farm food products bought by civilians, United States, 1958-72

Year 1/	All farm foods						Meat products						Dairy products						Poultry and eggs					
	Expendi- tures	Farm value	Marketing bill	Expendi- tures	Farm value	Marketing bill	Expendi- tures	Farm value	Marketing bill	Expendi- tures	Farm value	Marketing bill	Expendi- tures	Farm value	Marketing bill	Expendi- tures	Farm value	Marketing bill	Expendi- tures	Farm value	Marketing bill			
----- Million dollars -----																								
1958	60,993	21,445	39,548	17,468	8,535	8,933	11,450	4,463	6,987	5,072	2,908	2,164												
1959	63,619	21,216	42,403	18,093	8,135	9,958	11,843	4,580	7,263	4,841	2,580	2,261												
1960	66,881	22,315	44,566	18,588	8,386	10,202	12,098	4,704	7,394	5,189	2,899	2,290												
1961	68,673	23,000	45,674	18,941	8,651	10,290	12,233	4,765	7,468	5,334	2,749	2,585												
1962	71,318	23,662	47,656	19,703	9,195	10,508	12,427	4,766	7,662	5,463	2,793	2,670												
1963	74,044	24,149	49,895	20,439	9,029	11,410	12,598	4,860	7,738	5,722	2,896	2,826												
1964	77,503	24,872	52,631	21,418	8,972	12,446	12,938	5,011	7,927	5,872	2,908	2,964												
1965	81,114	27,113	54,001	22,405	10,347	12,058	13,049	5,062	7,987	6,224	3,083	3,141												
1966	86,923	29,767	57,156	25,096	11,608	13,488	13,606	5,575	8,031	7,242	3,636	3,606												
1967	89,230	28,819	60,411	25,785	11,381	14,404	13,698	5,622	8,076	6,838	3,085	3,753												
1968	93,879	30,412	63,467	26,914	11,987	14,927	14,576	5,941	8,635	7,199	3,337	3,862												
1969	98,799	33,668	65,131	28,850	13,631	15,219	15,351	6,283	9,068	8,156	4,078	4,078												
1970	105,965	34,774	71,191	31,384	14,104	17,280	16,175	6,779	9,396	8,324	3,924	4,400												
1971	110,733	35,318	75,415	32,288	14,279	18,009	16,755	6,770	9,985	7,980	3,616	4,364												
1972 2/	116,207	39,015	77,192	35,256	17,051	18,205	17,551	7,089	10,462	8,137	3,728	4,409												
----- Fruits and vegetables -----																								
Grain mill products												Bakery products 1/												
Expendi- tures	Farm value	Marketing bill	Expendi- tures	Farm value	Marketing bill	Expendi- tures	Farm value	Marketing bill	Expendi- tures	Farm value	Marketing bill	Expendi- tures	Farm value	Marketing bill	Expendi- tures	Farm value	Marketing bill	Expendi- tures	Farm value	Marketing bill				
1958	12,950	3,085	9,865	2,642	612	2,030	6,149	797	5,352	5,262	1,045	4,217												
1959	13,693	3,366	10,327	2,567	566	2,001	6,614	815	5,799	5,968	1,173	4,795												
1960	14,673	3,497	11,176	2,565	555	2,010	6,828	883	5,945	6,940	1,391	5,549												
1961	15,014	3,589	11,425	2,548	543	2,005	7,026	997	6,029	7,576	1,704	5,872												
1962	15,785	3,596	12,189	2,555	564	1,991	7,357	1,072	6,285	8,027	1,675	6,352												
1963	16,154	3,687	12,467	2,575	540	2,035	7,703	1,155	6,548	8,853	1,982	6,871												
1964	17,084	4,179	12,905	2,780	568	2,212	7,980	1,182	6,798	9,431	2,052	7,379												
1965	17,782	4,520	13,262	3,045	619	2,426	8,193	1,256	6,937	10,416	2,226	8,190												
1966	18,585	4,469	14,116	3,031	637	2,394	8,299	1,364	6,935	11,064	2,478	8,586												
1967	19,290	4,492	14,798	3,258	636	2,622	8,855	1,314	7,541	11,506	2,289	9,217												
1968	20,543	4,925	15,618	3,157	608	2,549	9,144	1,286	7,858	12,346	2,328	10,018												
1969	20,718	5,160	15,558	3,247	608	2,639	9,400	1,317	8,083	13,077	2,591	10,486												
1970	21,986	5,033	16,953	3,255	552	2,673	10,079	1,383	8,696	14,793	2,999	11,794												
1971	23,166	5,209	17,957	3,222	562	2,660	11,665	1,572	10,093	15,657	3,310	12,347												
1972 2/	23,858	5,395	18,463	3,241	608	2,633	11,838	1,710	10,128	16,326	3,434	12,892												

1/ Beginning with 1960, estimates are for 50 states. Data for 1947-57 are published in MTS-174, August 1969.

2/ Preliminary.

3/ Farm value of bakery products includes farm values of flour, milk, eggs, fruit, lard, vegetable shortening, and sugar used in bakery products. Farm values of these ingredients are not included in farm values of other product groups.

percent, reflecting higher total beef slaughter. This increase was not sufficient to offset the decrease in pork supplies, so total red meat consumption declined.

Fruit and vegetable expenditures rose about 3 percent. Most of the increase in expenditures was due to rising prices, but quantities of fruits and vegetables increased slightly.

Dairy product expenditures rose 4.8 percent in 1972. Consumption of dairy products rose 2 percent and accounted for most of the increase in expenditures. Price increases for dairy products were relatively moderate.

Poultry and egg product expenditures rose 2 percent in 1972. Poultry products had the largest volume increase of any group in 1972 and partially substituted for the decline in red meat supplies. Increased volume accounted for nearly all the increase in expenditures. Retail poultry prices showed no significant change.

Bakery product and grain mill product expenditures increased the least of all food groups. Bakery expenditures rose 1.5 percent, while grain mill products increased only 0.6 percent. The small increases in expenditures for bakery and grain mill products were attributed to a decline in volume. Retail prices for these products remained stable in 1972, despite rising farm prices of wheat following the record sales to Russia. Price controls of Phase II limited the cost increases of processors to a direct dollar pass-through of raw material price increases, thus limiting any rise in marketing margins and retail prices. Inventories of raw materials purchased before the July Russian grain deal also limited any increase in farm grain prices being passed on to the consumer until the latter portion of the year and into 1973.

Expenditures for miscellaneous products, including fats and oils, sugar and confectionery products, increased slightly less than all food expenditures. Consumption of this food group declined slightly. Food oil product prices were stable for the year while prices of most other miscellaneous products rose.

Food Expenditures and Disposable Income: Food expenditures as a proportion of disposable income dropped fractionally in 1972 as income grew at a slightly faster pace. Expenditures for all foods—U.S. farm foods, imported foods, and seafoods—accounted for 15.7 percent of the Nation's disposable income in 1972 (table 8). Since the percentages are based on aggregate expenditure and income data for the entire country, including the very high-income people, the percentage is lower than the proportion of income spent for food by the average family. However, a decline in the percentage of income spent for food indicates that consumers generally had more money for other things. This percentage dropped every year of the past 10 years except 1970, but the decline in the percentage last year was the smallest change during this period.

Expenditures for U.S. farm foods accounted for 14.6 cents of each dollar of personal disposable income in 1972, compared with 14.9 cents in 1971. The marketing

bill share decreased slightly to 9.7 percent. Farm value of U.S. farm foods amounted to less than a nickel of every dollar of disposable income. Since 1967, the drop in consumer food expenditures as a proportion of disposable income has been shared almost equally between farm value and the marketing bill (fig. 3).

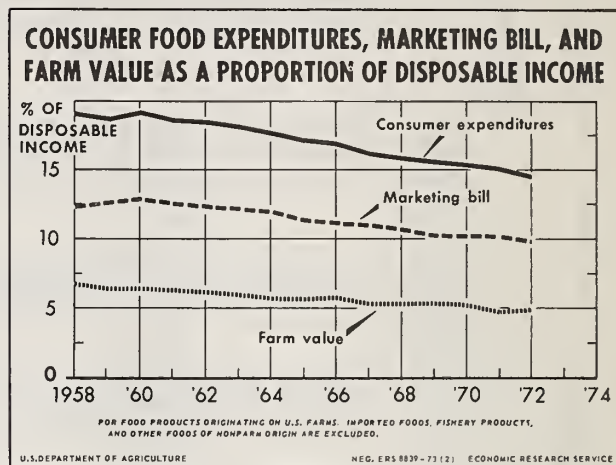


Figure 3

Farm Value

Farmers received \$39 billion for farm products equivalent to the foods purchased by U.S. consumers in 1972. This figure, up 10.5 percent from 1971, accounted for two-thirds of the increase in consumer expenditures for farm foods in 1972. The meat product group accounted for three-fourths of the increase in total farm value, due largely to higher returns for beef. Bakery and grain mill product groups also showed larger farm values due to increased farm grain prices. The dairy products group had the second largest total dollar gain in farm value, but its rate of increase was less than for either bakery or grain mill products.

Most of the rise in total farm value was due to higher farm prices. Many products showed little change in volume marketed from 1971. Overall, the farm price-weighted volume index of farm foods marketed declined fractionally in 1972. This decline, coupled with increased population and income, sent prices for U.S. farm foods up enough to raise the farm value \$3.7 billion, the largest increase since the beginning of the annual ERS series in 1947. The 10.5-percent increase in farm value was the second largest percentage increase since 1947. Only the 13.9-percent increase in farm value for 1951 was higher.

The farm value for poultry and eggs, fruits and vegetables, and miscellaneous products increased between 3 and 4 percent in 1972. Poultry and egg product returns, after falling sharply in 1971, rose slightly over \$100 million to reach \$3.7 billion in 1972. The farm value of fruits and vegetables rose about \$200 million to reach \$5.4 billion, nearly the same increase as

Table 8.--Consumer food expenditures, marketing bill, and farm value as a proportion of disposable income, 1958-72

Year	Disposable personal income	U.S. farm foods			Consumer expenditures for all foods 1/
		Consumer expenditures	Marketing bill	Farm value	
<u>Billion dollars</u>					
1958	318.8	61.0	39.6	21.4	66.6
1959	337.3	63.6	42.4	21.2	68.4
1960	350.0	66.9	44.6	22.3	70.1
1961	364.4	68.7	45.7	23.0	72.1
1962	385.3	71.3	47.6	23.7	74.4
1963	404.6	74.0	49.9	24.1	76.5
1964	438.1	77.5	52.6	24.9	80.5
1965	473.2	81.1	54.0	27.1	85.8
1966	511.9	86.9	57.1	29.8	92.0
1967	546.3	89.2	60.4	28.8	93.9
1968	591.0	93.9	63.5	30.4	99.7
1969	634.4	98.8	65.1	33.7	104.1
1970	689.5	106.0	71.2	34.8	114.2
1971	746.0	110.7	75.4	35.3	117.5
1972	797.0	116.2	77.2	39.0	125.0
<u>Percent of personal disposable income</u>					
1958	---	19.1	12.4	6.7	21.1
1959	---	18.9	12.6	6.3	20.3
1960	---	19.1	12.7	6.4	20.0
1961	---	18.8	12.5	6.3	19.8
1962	---	18.5	12.4	6.1	19.3
1963	---	18.3	12.3	6.0	18.9
1964	---	17.7	12.0	5.7	18.4
1965	---	17.1	11.4	5.7	18.1
1966	---	17.0	11.2	5.8	18.0
1967	---	16.3	11.0	5.3	17.2
1968	---	15.9	10.8	5.1	16.9
1969	---	15.6	10.3	5.3	16.4
1970	---	15.4	10.3	5.1	16.6
1971	---	14.8	10.1	4.7	15.8
1972	---	14.6	9.7	4.9	15.7

-- = not applicable.

1/ Department of Commerce, Bureau of Economic Analysis. These estimates of food expenditures differ in several respects from ERS estimates of expenditures for farm foods. The BEA estimates of all food include the value of imported foods, seafoods, food furnished military personnel, and food consumed on farms where produced, but the ERS estimates exclude these items. However, the BEA estimates exclude the value of food furnished hospital patients, students in boarding schools, and inmates of institutions, food furnished by Government agencies to schools and needy persons, food purchased as a business expense, and the value of food served by airlines to their passengers, which the ERS estimates include.

in 1971. Miscellaneous products, which include fat and oil products, sugar, confectionery items, and other farm foods, increased at a slower rate than in the past.

Marketing Bill

The bill for marketing farm food products—the difference between consumer expenditures and farm value—amounted to \$77.2 billion in 1972, an increase of 2.4 percent from 1971 but less than half 1971's annual increase of 5.9 percent. The increase has averaged 5.1 percent annually for the past 10 years.

The marketing bill for six commodity groups increased, while the bill for one group, grain mill products, declined 1 percent. The marketing bill for dairy products rose the most—4.8 percent. The bill for miscellaneous products gained 4.4 percent; meat, 1.1 percent; and poultry products, 1.0 percent. The bill for bakery products rose only 0.3 percent.

Fruit and vegetable products had the largest marketing bill among the commodity groups—\$18.5 billion—and were followed closely by meat products (fig. 4). Meat and fruits and vegetables accounted for almost half of the total marketing bill. Dairy products, bakery products, and the miscellaneous food group each accounted for around one-seventh of the bill. Poultry and grain mill products made up the rest.

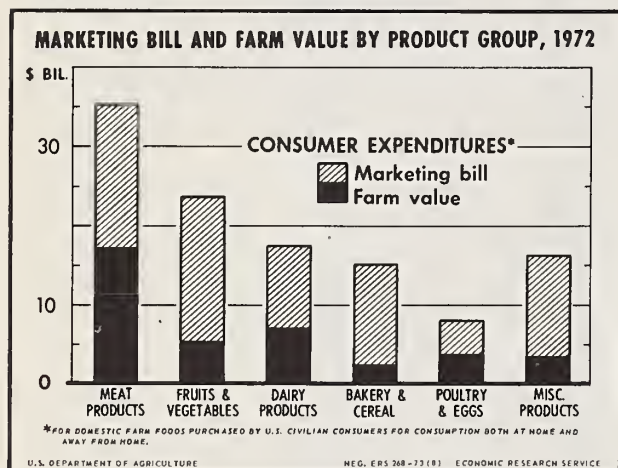


Figure 4

Factors Behind Marketing Bill Increase: Increases in the marketing bill over the years have been due to growth in volume of food marketed and increases in marketing services and the cost of performing these services. Volume of food is the result of growth in population and changes in per capita consumption. Increased marketing services involve the use of more highly prepared foods, such as convenience foods, and more eating out. Increased costs of marketing services reflect rising costs of inputs such as labor and packaging materials.

Increased costs of marketing services accounted for all of last year's increase of \$1.8 billion in the marketing

bill. This was the first time the cost of providing marketing services accounted for all the growth in the marketing bill. Normally, there are increases in volume and minor increases in the bill for additional marketing services. However, in 1972, the volume of food marketed fell short of 1971 levels.

Increased costs of marketing services accounted for slightly over half of the increase in the marketing bill between 1961 and 1972 (fig. 5). Costs of marketing larger quantities of food accounted for a third of the growth in the marketing bill during 1961-72. Food marketings rose 22 percent during this period, slightly more than the rise in population. Increased marketing services accounted for the smallest share of the bill increase since 1961, about one-seventh. Changes in costs of providing marketing services and the increased demand for services reflect changes in economic conditions. Both costs and demand have risen substantially during the recent period of general price inflation and rapid growth in real incomes. Price-weighted volume indices have reflected increases in consumption due both to population increases and the shift to greater consumption of higher valued food items such as meats.

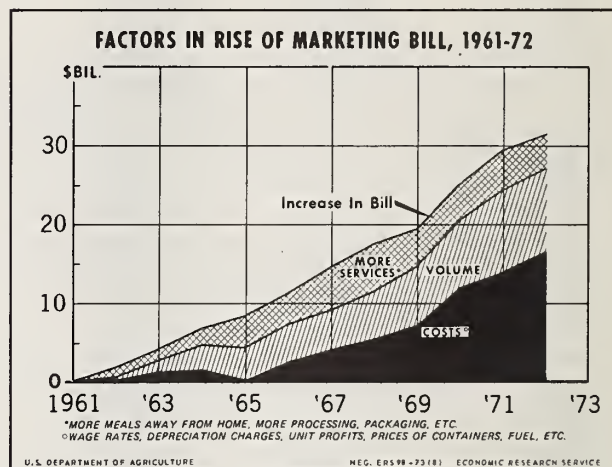


Figure 5

Cost Components of the Marketing Bill

Labor: Labor costs for marketing domestic farm food products, nearly half of the marketing bill, totaled \$37.4 billion in 1972—up 8.4 percent from 1971 (table 9). This increase reflected both higher wages of food marketing employees and more man-hours worked. Labor costs incurred by processors, wholesalers, retailers, and away-from-home eating establishments increased at an annual rate of 5.9 percent over the last decade. Labor employed in food retailing and away-from-home eating establishments accounted for slightly over half of total labor costs. Labor in food

Table 9.--Cost components of the marketing bill for farm foods, 1959-72

Year	Labor 1/	Packaging materials	Rail and truck transportation 2/	Corporate profits		Business taxes 3/	
				Before taxes	After taxes		
<u>Billion dollars</u>							
1959 ...	18.8	5.5	4.0	2.1	1.0	1.2	
1960 ...	19.7	5.4	4.1	2.1	.9	1.3	
1961 ...	19.9	5.8	4.2	2.3	1.1	1.4	
1962 ...	20.8	6.1	4.1	2.3	1.1	1.6	
1963 ...	21.3	5.9	4.2	2.4	1.2	1.7	
1964 ...	22.1	6.0	4.3	2.8	1.4	1.8	
1965 ...	23.3	6.2	4.2	3.0	1.6	2.1	
1966 ...	24.6	6.8	4.2	3.4	1.8	2.2	
1967 ...	25.9	7.2	4.3	3.4	1.8	2.3	
1968 ...	28.0	7.8	4.5	3.6	1.8	2.6	
1969 ...	30.4	8.0	4.6	3.6	1.6	2.6	
1970 ...	32.3	8.5	5.2	3.6	1.6	2.9	
1971 ...	34.5	9.0	6.0	3.7	1.7	3.0	
1972 4/	37.4	9.4	6.1	3.4	1.7	3.3	
	Deprecia- tion	Rent (net)	Advertis- ing	Repairs, bad debts, contribu- tions	Interest (net)	Other 5/	Total
<u>Billion dollars</u>							
1959 ...	1.4	1.1	1.2	0.7	0.2	6.2	42.4
1960 ...	1.5	1.1	1.3	.7	.2	7.2	44.6
1961 ...	1.6	1.2	1.4	.8	.3	6.8	45.7
1962 ...	1.8	1.4	1.6	.8	.3	6.8	47.6
1963 ...	1.8	1.4	1.7	.9	.3	8.3	49.9
1964 ...	1.9	1.5	1.7	1.0	.3	9.2	52.6
1965 ...	2.0	1.6	1.9	1.1	.4	8.2	54.0
1966 ...	2.2	1.8	2.0	1.1	.4	8.4	57.1
1967 ...	2.2	1.8	2.0	1.1	.6	9.6	60.4
1968 ...	2.1	2.0	1.8	1.2	.8	9.1	63.5
1969 ...	2.2	2.1	1.9	1.3	.9	7.5	65.1
1970 ...	2.5	2.3	2.0	1.5	1.1	9.3	71.2
1971 ...	2.5	2.4	2.0	1.5	1.1	9.7	75.4
1972 ...	2.8	2.6	2.2	1.6	1.3	7.1	77.2

1/ Includes supplements to wages and salaries such as social security and unemployment insurance taxes and health insurance premiums. Also includes imputed earnings of proprietors, partners, and family workers not receiving stated remuneration. 2/ Includes charges for heating and refrigeration. Does not include local hauling charges. 3/ Includes property, social security, unemployment insurance, state income, and franchise taxes, license fees, and other fees, but does not include Federal income tax. 4/ Preliminary. 5/ Includes foodservice in schools, colleges, hospitals, and other institutions and utilities, fuel, promotion, local for-hire transportation, water transportation, and insurance.

processing accounted for about a third. The remaining labor cost was for wholesaling.

Labor cost includes wages and salaries of employees, wage supplements, and tips received by foodservice employees. Labor cost accounted for 48 percent of the marketing bill in 1972, compared with 46 percent in 1971 and 44 percent a decade ago (fig. 6).

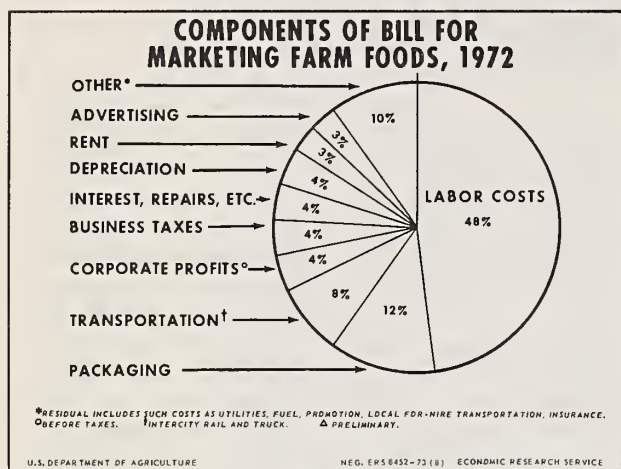


Figure 6

The increase in labor costs in 1972 came from increases in both hourly labor costs and total man-hours. Hourly labor costs in food marketing increased 6.9 percent from 1971 to 1972, slightly more than the average annual increase of 6.6 percent over the previous 5 years (table 10). They also exceeded the general 5.5-percent wage guideline established for the economic stabilization program by the Cost of Living Council.

Unit labor costs rose 7.4 percent in 1972, reflecting the rise in hourly labor costs and a decline in productivity. The decline in output per man-hour in food marketing reflected a leveling off in output as increases occurred in man-hours worked.

Employment in food marketing has gone up gradually during the past decade as a result of increases in the volume of food handled by the marketing system and increases in services per unit of product. The farm food marketing system employed 5.6 million workers in 1972, slightly more than in 1971. Additional labor cost data are discussed in the marketing agency bill section of this article.

Packaging: The cost of packaging materials used in marketing farm foods rose to \$9.4 billion in 1972—up \$0.4 billion, or about 4½ percent, from a year ago. The Department of Commerce estimates that the value of packaging materials shipped for all uses (food and nonfood) increased about 10 percent. Price increases accounted for about one-half of the increase in value of materials used, and a larger volume of shipments accounted for the other half. Food packaging materials accounted for 42.5 percent of all packaging material shipments.

Wholesale prices of many food packaging containers increased in 1972 but generally did not increase as much as prices of containers used in nonfood industries. One-half gallon milk cartons and paper cups did not increase at all in price from December 1971 to December 1972. Examples of packaging materials used for food which had relatively small price increases were: Ice cream cartons, 1.1 percent; candy boxes, 2.4 percent; composite concentrated juice cans, 1.8 percent; wide-mouth glass containers, 4.0 percent; and returnable glass soft drink bottles, 3.9 percent. In contrast, wholesale prices of metal cans rose 6.0 percent; wire boxes for fruits and vegetables, 9.6 percent; grocery bags, 15.9 percent; and 303 x 406 tin cans, 6.2 percent.

Prices of packaging materials used mostly for nonfoods generally increased a little more than those primarily used for foods in 1972. Prices of wooden pallets rose 13.4 percent; paper shipping sacks were up 11.1 percent; corrugated containers (22.2 percent total used in foods) rose 8.3 percent; and prices of industrial wire boxes rose 8.2 percent.

Rail and Truck Transportation: The cost of shipping farm food products by truck and rail was \$6.1 billion in 1972. This figure does not include intracity truck transportation or air and water transportation for which no estimates are available. This cost was up \$100 million, or 2 percent higher than in 1971. Transportation costs accounted for 7.9 percent of the total marketing bill in 1972, the same as in 1971, but below the 9-percent share in 1960.

The increase in transportation costs in 1972 resulted from rate increases for most food commodities other than wheat, which declined nearly 5 percent. The decline in rates charged by railroads for moving wheat was the result of reductions at locations in major producing areas where truck competition is increasing.

Rail freight rates increased in April 1971, February 1972, and October 1972. The increases in 1972 that affected annual average rates were modest—a 2.5-percent surcharge on all rates in February and variable increases in October.

Some truckers also increased rates in late 1971 and 1972, but data as to the timing and magnitude of such increases have not been collected.

Few rail and truck rates regulated by the Interstate Commerce Commission have as yet been increased in 1973, due in part to Federal actions to control inflation.

Capital Costs: Capital costs, which include depreciation, rent, and interest, totaled \$6.7 billion in 1972, slightly over 8 percent of the total food marketing bill. These costs rose nearly 12 percent in 1972, considerably more than in other recent years. Interest rates on long-term Aaa bonds, an indicator of the costs of new long-term credit, decreased from 7.4 percent in 1971 to 7.2 percent in 1972, thus continuing a downtrend in money costs for financing new plant and equipment. The E. H. Boeckh Index of commercial and factory building costs increased 8.3 percent from 1971

Table 10.--Indexes of labor cost for marketing farm-food products, 1959-72

Year	: Total : labor : cost	: Man- : hours	: Hourly : labor : cost <u>1/</u>	: Unit : labor : cost <u>2/</u>	: Retail price- : weighted : volume index
			<u>1967=100</u>		
1959	73	102	71	87	84
1960	76	102	75	87	87
1961	77	99	77	87	88
1962	80	98	82	89	90
1963	82	97	84	89	92
1964	85	98	87	89	96
1965	90	99	91	94	96
1966	95	100	95	97	98
1967	100	100	100	100	100
1968	108	101	107	106	102
1969	117	102	114	113	104
1970	125	101	124	118	106
1971	133	102	130	122	109
1972 <u>3/</u>	144	103	139	131	110

1/ Hourly labor cost is the quotient of the indexes of total labor cost and man-hours worked.

2/ Unit labor cost is the quotient of the indexes of total labor cost and the retail price-weighted volume index. The volume index of farm food products is constructed by weighting the quantities consumed on a retail weight basis by 1957-59 average retail prices.

3/ Preliminary.

to 1972. Rising construction costs increased depreciation costs and commercial rental rates for food marketing firms. Changes in accelerated depreciation rules also were fully effective in 1972, resulting in higher depreciation costs.

Advertising: Expenditures for advertising amounted to 2 cents of each food dollar in 1972, about the same as in other recent years. Advertising for farm food in 1972 totaled \$2.2 billion, with food processors accounting for roughly half of the expenditures. In 1972, expenditures for television advertising were three times greater than those for print media advertising. Fifteen years ago, expenditures to advertise farm foods were roughly equal in both media. Food advertising in general has continued to increase during changes in business activity.

Corporate Profits: Corporations derived \$3.4 billion in profits before Federal income taxes from marketing farm food products in 1972. This was \$0.3 billion lower than in 1971. Although sales were greater, profit rates of corporations declined. After-tax profits amounted to one-half of the before-tax profits in 1972.

Corporate profits amounted to 4.4 percent of the marketing bill in 1972, down from 4.9 percent in 1971. While profits are a relatively small proportion of the marketing bill, they exceed many individual cost components of the bill such as depreciation, advertising, and rent.

Business Taxes: In 1972, business taxes totaled \$3.3 billion—up 10 percent from 1971. Business taxes have more than doubled in the last 10 years. Social Security payments have risen as a result of increases in rates and the maximum taxable income. Both State and local tax rates have risen sharply in recent years.

At-Home and Away-From-Home Marketing Bills

The total marketing bill is divided into the at-home bill and the away-from-home bill. The at-home marketing bill is an estimate of charges for transporting, processing, and distributing U.S. farm foods purchased in food stores for use at home. The away-from-home marketing bill is an estimate of the costs and profits of transporting, processing, distributing, and preparing food for sale or use in public eating places and institutions. It includes costs and profits for food whether purchased for personal consumption, on business or travel, or as part of another service such as food served by airlines or hospitals.

Expenditures: Consumer expenditures for food at home were \$81.3 billion in 1972, or 70 percent of total U.S. farm food expenditures. Expenditures for food consumed away from home were \$34.9 billion, or 30 percent. These away-from-home food expenditures were up from 25 percent in 1963 (table 11).

Away-from-home eating is composed of two major submarkets—public eating places and institutions. Public eating places include restaurants, cafeterias, snack bars,

vending machine outlets, and other eating places primarily operated for profit. In 1972, they accounted for \$26.8 billion of farm food expenditures, 77 percent of the away-from-home market. Expenditures in public eating places grew faster than food stores between 1963 and 1972, increasing the away-from-home share of expenditures for U.S. farm foods.

Until the last 2 years, institutions grew at an even faster rate than public eating places. Institutions, including schools, colleges, hospitals, rest and nursing homes, and airlines, served food valued at \$8.1 billion in 1972. This figure, unchanged from 1971, accounted for 7 percent of total farm food expenditures. Decreased school enrollment and a decline in hospital patients have slowed the growth in institutional feeding.

Marketing Bill: The marketing bill for at-home eating is smaller relative to consumer expenditures than that for away-from-home eating. The at-home marketing bill amounted to \$49.5 billion in 1972—61 percent of consumer expenditures for food bought for use at home. In contrast, the away-from-home bill of \$27.7 billion accounted for 79 percent of away-from-home consumer expenditures for food in 1972. This contrast reflects the added cost of preparing and serving food consumed away from home. In 1972, public eating places incurred marketing costs of \$21.1 billion, and institutions, \$6.6 billion.

Farm Value: The at-home market represented four-fifths of total U.S. farm value, while public eating places accounted for another 14.6 percent, and institutions, the remainder. However, the farm value of food consumed away from home increased 80 percent between 1963-72, compared with a 58-percent increase for food consumed at home.

Commodity Use: In 1972, meat products represented the largest share of both at-home and away-from-home food expenditures (table 12). However, meat represented a larger proportion of food consumed away from home (39 percent) than food used at home (25 percent).

The importance of various food groups between the at-home and away-from-home markets differs primarily because of the relative importance of different meals. Breakfasts and dinners make up a larger proportion of meals served at home than of meals served in restaurants. The away-from-home market serves a larger proportion of lunches. Fruits and vegetables, which are served more often with full meals than with sandwich-type lunches, account for about a fourth of expenditures of food consumed at-home versus less than 10 percent of expenditures away from home.

There are differences in the commodity mix within the away-from-home market. Meat accounts for a larger share of food consumed in public eating places than in institutions. The opposite is true of fruits and vegetables, which are more important in institutions. Again, the difference in the proportion of meal types served is the prime reason for differences in composition of

Table 11 --Consumer expenditures, marketing bill, and farm value, for U.S. farm foods, at-home and away-from-home, 1963-72.

Year	Total	At-home	Total	Away-from-home	Public eating places	Institutions
		2/			3/	4/
<u>Billion dollars</u>						
Consumer expenditures						
1963	74.0	56.0	18.0	14.0		4.0
1964	77.5	58.5	19.0	14.8		4.2
1965	81.1	60.2	20.9	16.1		4.8
1966	86.9	64.0	22.9	17.8		5.1
1967	89.2	64.2	25.0	19.4		5.6
1968	93.9	67.4	26.5	20.5		6.0
1969	98.8	70.4	28.4	21.9		6.5
1970	106.0	74.6	31.4	23.8		7.6
1971	110.7	77.6	33.1	25.0		8.1
1972 1/	116.2	81.3	34.9	26.8		8.1
Marketing bill						
1963	49.9	35.9	14.0	10.9		3.1
1964	52.6	37.8	14.8	11.6		3.2
1965	54.0	38.1	15.9	12.3		3.6
1966	57.1	39.8	17.3	13.5		3.8
1967	60.4	40.8	19.6	15.2		4.4
1968	63.5	42.7	20.8	16.1		4.7
1969	65.1	43.1	22.0	17.0		5.0
1970	71.2	46.2	25.0	18.8		6.2
1971	75.4	48.7	26.7	19.9		6.8
1972 1/	77.2	49.5	27.7	21.1		6.6
Farm value						
1963	24.1	20.1	4.0	3.1		0.9
1964	29.9	20.7	4.2	3.2		1.0
1965	27.1	22.1	5.0	3.8		1.2
1966	29.8	24.2	5.6	4.3		1.3
1967	28.8	23.4	5.4	4.2		1.2
1968	30.4	24.7	5.7	4.4		1.3
1969	33.7	27.3	6.4	4.9		1.5
1970	34.8	28.4	6.4	5.0		1.4
1971	35.3	28.9	6.4	5.1		1.3
1972 1/	39.0	31.8	7.2	5.7		1.5

^{1/} Preliminary.

^{2/} At-home is food consumed from the home food supply (primarily purchased from retail food stores).

^{3/} Includes restaurants, cafeterias, snack bars, and other eating establishments.

^{4/} Includes the value of food served in hospitals, schools, colleges, rest and nursing homes, and other institutions.

Table 12--Consumer expenditures, marketing bill, and farm value for at-home and away-from-home consumption, by commodity group, 1972 1/

Commodity	Total	At-home	Away-from-home 2/		
			Total	Public	Institutions
				eating places	
Million dollars					
Consumer expenditures					
Meat	35,256	20,813	14,443	11,472	2,971
Poultry products	8,137	6,006	2,131	1,555	576
Dairy products	17,551	12,235	5,316	3,562	1,754
Fruits and vegetables ..	23,858	20,241	3,617	2,515	1,102
Grain mill products ...	3,241	2,602	639	401	238
Bakery products	11,838	8,014	3,824	3,147	677
Miscellaneous	16,326	11,333	4,993	4,190	803
Total	116,207	81,244	34,963	26,842	8,121
Marketing bill					
Meat	18,205	7,846	10,359	8,064	2,295
Poultry products	4,409	2,658	1,751	1,244	507
Dairy products	10,462	6,303	4,159	2,747	1,412
Fruits and vegetables ..	18,463	15,717	2,746	1,926	820
Grain mill products ...	2,633	2,034	599	373	226
Bakery products	10,128	6,545	3,583	2,951	632
Miscellaneous	12,892	8,341	4,551	3,827	724
Total	77,192	49,444	27,748	21,132	6,616
Farm value					
Meat	17,051	12,967	4,084	3,409	675
Poultry products	3,728	3,348	380	311	69
Dairy products	7,089	5,932	1,157	815	342
Fruits and vegetables ..	5,395	4,524	871	589	282
Grain mill products ...	608	568	40	27	13
Bakery products	1,710	1,469	241	196	45
Miscellaneous	3,434	2,992	442	363	79
Total	39,015	31,800	7,215	5,710	1,505

1/ Preliminary .

2/ See table 11 for description of away-from-home consumption.

expenditures. Other commodity groups such as poultry, bakery, dairy, grain mill, and miscellaneous products vary less between the two markets.

Marketing Bill for Marketing Agencies

Marketing agencies perform the functions of processing, wholesaling, and distributing food products. The marketing bill of marketing agencies and their labor and profit components are shown in table 13 for 1958-72. Previously, estimates had been made only for census years.

Food processors took the largest share of the total marketing bill in 1972, accounting for \$26.8 billion, or 34.7 percent, of the total bill (fig. 7). The processors' agency bill has declined in importance since 1958, from nearly 45 percent to the 1972 share of 35 percent. However, the processors' agency marketing bill increased

from \$17.7 billion in 1958 to \$26.8 billion in 1972—an annual rate of 3 percent.

Labor costs accounted for nearly 44 percent of the processors' bill in 1972, compared with less than 37 percent in 1958. Profits accounted for 8 percent, up from 6 percent in 1958. Profits were the largest share of the processing agency bill.

Food wholesalers took the smallest share of the total marketing bill in 1972, accounting for \$10.3 billion. Wholesaling costs and profits have accounted for about the same share—13 percent—of the total marketing bill since 1958. Labor costs for wholesalers were nearly 49 percent of the agency bill in 1972. This is the second largest share of an agency bill devoted to labor. Wholesalers' profits share—6.3 percent—ranked second to processors' as a share of an agency bill in 1972.

Retail food stores had the second largest agency bill after processors in 1972—nearly \$22.4 billion. Retailers' share of the total marketing bill increased from 22 percent in 1958 to 29 percent in 1972. Retailers had the smallest profit share—only 1.1 percent in 1972, down considerably from previous years. Labor costs of \$10.6 billion accounted for slightly more than 47 percent of the agency bill.

Eating places and institutions have also increased their share of the total marketing bill, particularly since 1964. In 1972, their share accounted for \$17.7 billion, or 23 percent of the marketing bill. While the marketing bill for eating places was next to the smallest, their labor cost, totaling \$10.1 billion, was only slightly lower than that for food processors. Labor, which accounted for nearly 57 percent of the agency bill for eating places and institutions, was up from 51 percent in 1958. The 1972 profit share, 1.9 percent, was only slightly above that for retail food stores.

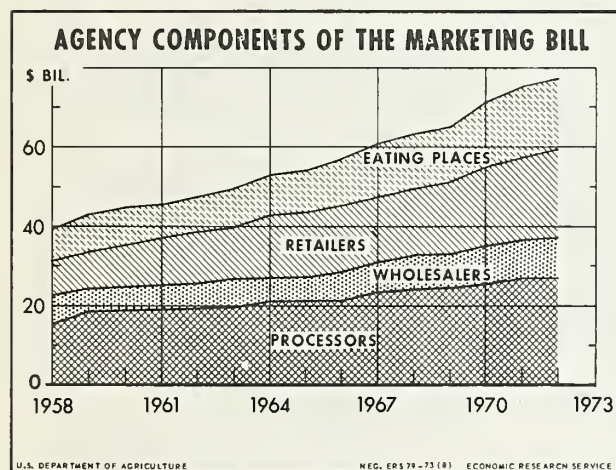


Figure 7

Table 13 --Marketing bill for farm foods and labor and profit components, by marketing agency, 1958-72

Year	Total					Processors					Wholesalers and assemblers				
	Marketing : bill	Labor : cost	Other : costs	Marketing : bill	Profits : before taxes	Marketing : bill	Labor : cost	Other : costs	Marketing : bill	Profits : before taxes	Marketing : bill	Labor : cost	Other : costs	Marketing : bill	Profits : before taxes
-----Million dollars-----															
1958 ...	39,548	1,887	18,016	19,645	17,743	6,483	1,138	10,122	5,211	229	2,536	2,446			
1959 ...	42,408	2,065	18,779	21,564	19,054	6,769	1,124	11,061	5,267	259	2,622	2,386			
1960 ...	44,565	2,100	19,650	22,815	19,202	7,053	1,180	10,969	5,525	273	2,658	2,594			
1961 ...	45,674	2,163	19,892	23,619	19,771	7,171	1,286	11,314	5,618	302	2,636	2,680			
1962 ...	47,656	2,198	20,763	24,695	19,870	7,373	1,250	11,247	6,008	329	2,683	2,996			
1963 ...	49,895	2,423	21,316	26,156	19,762	7,415	1,578	10,769	6,470	277	2,685	3,445			
1964 ...	52,631	2,806	22,100	27,725	21,184	7,590	1,656	11,938	6,466	409	2,770	3,287			
1965 ...	54,001	3,007	23,337	27,657	20,473	7,947	1,800	10,726	6,724	419	2,924	3,381			
1966 ...	57,156	3,403	24,636	29,117	20,970	8,327	2,089	10,554	7,346	467	3,115	3,764			
1967 ...	60,411	3,380	25,897	31,134	23,560	8,821	1,910	12,829	7,612	491	3,360	3,761			
1968 ...	63,467	3,605	28,012	31,850	24,434	9,333	1,980	13,121	8,136	599	3,652	3,885			
1969 ...	65,131	3,559	30,406	31,166	24,202	10,119	1,883	12,200	8,456	637	3,959	3,860			
1970 ...	71,191	3,603	32,336	35,252	25,261	10,508	1,966	12,787	8,930	648	4,216	4,066			
1971 ...	75,415	3,684	34,477	37,254	26,718	10,900	2,095	13,723	9,488	730	4,597	4,161			
1972 ...	77,192	3,425	37,400	36,367	26,812	11,742	2,158	12,912	10,266	656	4,982	4,628			

Year	Retailers					Eating places and institutions					Share of total marketing bill				
	Marketing : bill	Labor : cost	Other : costs	Marketing : bill	Profits : before taxes	Marketing : bill	Labor : cost	Other : costs	Marketing : bill	Processors : salers	Wholesale- retailers	Eating places	Percent		
-----Million dollars-----															
1958 ...	8,648	428	4,977	3,243	7,946	92	4,020	3,834	44.8	13.2	21.9	20.1			
1959 ...	9,589	452	5,131	4,006	8,493	130	4,257	4,106	44.9	12.4	22.6	20.1			
1960 ...	10,951	450	5,413	5,089	8,888	197	4,526	4,165	43.1	12.4	24.6	19.9			
1961 ...	11,621	425	5,380	5,816	8,664	150	4,705	3,809	43.3	12.3	25.4	19.0			
1962 ...	12,495	469	5,616	6,410	9,283	150	5,091	4,042	41.7	12.6	26.2	19.5			
1963 ...	13,458	449	5,909	7,099	9,998	119	5,307	4,572	40.0	13.0	27.0	20.0			
1964 ...	15,240	561	6,126	8,553	9,741	179	5,614	3,948	40.2	12.3	29.0	18.5			
1965 ...	16,087	539	6,405	9,143	10,717	250	6,061	4,406	37.9	12.4	29.8	19.9			
1966 ...	17,054	551	6,644	9,859	11,786	296	6,550	4,940	36.7	12.9	29.8	20.6			
1967 ...	16,698	607	6,917	9,174	12,541	373	6,799	5,369	39.0	12.6	27.6	20.8			
1968 ...	17,625	663	7,424	9,538	13,272	363	7,603	5,306	38.5	12.8	27.8	20.9			
1969 ...	18,201	679	8,139	9,383	14,247	360	8,189	5,698	37.1	13.0	28.0	21.9			
1970 ...	20,738	719	8,808	11,211	16,262	270	8,804	7,188	35.5	12.6	29.1	22.8			
1971 ...	21,631	555	9,599	11,477	17,578	305	9,381	7,892	35.4	12.6	28.7	23.3			
1972 ...	22,390	266	10,585	11,539	17,724	344	10,091	7,289	34.7	13.3	29.0	23.0			

DIVERSIFICATION IN FIVE FOOD PROCESSING INDUSTRIES AND THE FARM MACHINERY AND EQUIPMENT INDUSTRY

by
Paul E. Nelson Jr.,
and
Larry Britt¹

ABSTRACT: Census data made available from the Enterprise Statistics program show substantial changes between 1954 and 1967 in ownership patterns and diversification by companies processing food products and producing farm equipment and machinery. Employment in these industries is shown to be declining primarily among companies classified in the industry, but increasing among companies primarily engaged in other industrial activities. For example, the total number of employees in the meatpacking industry dropped by over 49,000 between 1954 and 1967. The number of employees of firms classified within the industry dropped by 61,000, but employment in meatpacking establishments owned by companies classified outside the meat industry rose by nearly 12,000. Companies classified outside the industry accounted for 10 percent of meatpacking industry sales in 1967. Similarly, 27 percent of the farm machinery and equipment sales were accounted for by companies classified in other industries such as electrical machinery.

KEYWORDS: Market structure, food processing, diversification.

Two aspects of the changing structure of food and input marketing industries have received little attention primarily because of the fragmentary character of available data. These two aspects are: (1) the ownership patterns of companies—the extent to which companies primarily classified within an industry own the establishments² classified within that industry; and (2) diversification, the degree to which establishments of a parent company are engaged in activities which differ from the parent's primary activities.

These structural aspects of food and input marketing companies have a significant bearing on the channels through which farm products are sold and farm inputs

purchased. Growing diversification may necessitate changes in size, capital sources, product differentiation, pricing policies, and other adjustments by farm firms in the manner in which these companies buy inputs and sell products.

This article is based on data for 1954 and 1967 made available from the Bureau of Census, Enterprise Statistics program. These data deal with the organization and activities of companies and permit analyses other than those limited to establishment data. Where changes in industrial classification have made comparability of published data impossible for numerous industries, we have adjusted 1967 data to be comparable with the 1954 revised series.

Ownership Ratio

This ratio shows the relationship between establishments classified in the same industry as their owning companies and all establishments classified in the industry. The ratio provides a summary measure of the extent to which establishments classified in an industry

¹ Mr. Nelson is an agricultural economist with the National Economic Analysis Division, ERS. Mr. Britt, a former statistician of the Bureau of the Census, Department of Commerce, is now with private industry.

² An establishment is a business or industrial unit at a single physical location which distributes goods or performs services, including manufacturing and processing. A company is a business organization of one or more establishments under common ownership.

are owned by companies classified in the same industry. The lower the ratio, the more the specified activity of the industry is accounted for by companies classified in other industries.³

This ratio may be computed on several bases, such as number of establishments, number of employees, and payroll. The employee basis was chosen as the best measure since it reflects the size of establishments involved. To illustrate how the ownership ratio is computed, assume there are 1,000 meatpacking employees in the establishments classified primarily as meatpackers. If 600 are employed by establishments owned by companies which are classified as meatpacking firms, the ownership ratio would be 60 per 100 employees.

Recognition of two facts will help in the interpretation of the ratio and changes in it: (1) the ratio reports net differences, and (2) the change in the ratio can occur in several ways—for example, the ratio's numerator may rise and the denominator remain constant, or vice versa, or both may increase or decrease. Table 14 presents the ownership ratio for each industry for 1954 and 1967 along with the number of employees which were associated with the change in the ratios.

The ownership ratio for each of the six industries studied declined between 1954 and 1967. Among industries, the ownership ratio dropped 7 percent in meatpacking, 9 percent each in dairy and bakery, 12 percent in canned and frozen foods, and 16 percent each in grain mill and in farm machinery and equipment.

The pattern of industry diversification can be seen more clearly from the net change that occurred in number of employees of companies classified within and outside the industry. In five of the six industries, the total number of employees declined, with the decline accounted for among employees of companies classified within the industry. In contrast, there was an increase in the number of industry employees in establishments owned by companies classified outside the industry.

The total number of employees in the meatpacking industry dropped by 49,470. The number of employees of companies classified within meatpacking decreased by 61,344. However, the number of employees of meatpacking establishments owned by companies classified outside meatpacking rose by 11,874. In an analogous manner, the total employment of farm machinery and equipment establishments fell by 1,364. The employment of companies classified within the industry dropped by 21,701, while the total employment of farm machinery and equipment establishments owned by companies classified outside this industry rose 20,337.

The canned and frozen food industry differed from the other five industries. In this industry, total employment rose by 58,708 employees. Of this increase,

25,407 were accounted for by companies classified as canned and frozen food firms, and 33,301 by companies classified outside the industry.

Changes in ownership in these industries could have occurred by some form of acquisition of establishments, or new investment in establishments by firms outside the industry, or both. Probably some of both took place in each industry. However, in the five industries which lost in total employment, acquisition probably was the dominant technique, because otherwise the total industry employment could not have dropped while the number of employees of establishments in the industry owned by companies classified outside it grew. Growth dominated by new investment would have raised total employment of each industry. In the instance of canned and frozen foods, there is no basis for suggesting that acquisition was more important than new investment. In either case, the industry experienced competition from companies classified outside it.

Historically, companies classified within an industry have been product centered. They have believed that their sales success is primarily contingent upon the quality and the unique character of their product. Outside companies entering such industries tend to operate under a broader perspective. They look toward the development of marketing networks which maximize the gains to be obtained from the facilitating functions of information, risk acceptance, finance, standardization, and supervision. Such a perspective involves competitive techniques different from those adopted by firms focusing upon buying, selling, transportation, storage, and processing.⁴

Industry Ratio

The industry ratio shows the relationship between the primary establishment activities of companies in an industry and the activities of all their operating establishments (both primary and secondary). The ratio provides a summary measure of the extent to which companies classified in an industry tend to mix their industrial activities. The lower the ratio, the less specialized are the companies classified in the industry.⁵ For example, assume that the total number of employees of companies classified within an industry is 1,000. If these companies had 700 employees working in establishments classified within the industry, the industry ratio would be 70 per 100 employees. Aggregate employment used in computing this ratio includes only the employees of companies classified

³The Bureau of the Census. *Enterprise Statistics*, 1967, Part I, Wash., D. C., 1972, p. 11.

⁴Garoian, Leon (Editor). Reid, S. R., "Conglomerate Growth: Consistency with Economic Theory", *Economics of Conglomerate Growth*, Ag. Res. Found., Oreg. State Univ., Corvallis, 1969, p. 51; and, Stout, Thomas T. "Implications of Conglomerate Mergers to Food Distribution in the 1970's", *Journal of Food Distribution Research*, (1), 81, Oct. 1969.

⁵The Bureau of the Census. *Enterprise Statistics*, op. cit., p. 11.

Table 14--Ownership ratios and changes in numbers of employees of companies classified within and outside selected industries, 1954 and 1967.

Industry	Ownership ratio			Change--1954-67		
				Total	Employees of companies	
	1954	1967	Change	industry employees	Within industry	Outside industry
			Percent		Number	
Meat packing	98.9	91.6	-7.4	-49,470	-61,344	11,874
Dairy	95.2	86.6	-9.0	-56,156	-73,109	16,953
Canned and frozen foods	91.8	80.8	-12.0	58,708	25,407	33,301
Grain mill	89.7	75.7	-15.6	-323,681	-303,578	-20,103
Bakery	92.7	84.2	-9.2	-28,729	-48,949	20,220
Farm machinery and equipment	89.6	74.8	-16.5	-1,364	-21,701	20,337

Compiled from: U. S. Department of Commerce. The Bureau of the Census, Enterprise Statistics, Part 1, Tables 1.1 and 2.1, p. 22ff, 1967; Company Statistics, 1954. Table 2, p. 4ff. Tabulations were adjusted to assure statistical comparability, so data differ from published series.

Table 15--Industry ratios and changes in numbers of employees of companies classified in selected industries pursuing the company's primary activity, 1954-1967.

Industry	Industry ratio			Change 1954-67		
				Total	Employees pursuing	
	1954	1967	Change	company employees	Primary activity	Activities outside primary activity
			Percent		Number	
Meat packing	81.7	77.2	-5.5	-63,686	-61,344	-2,342
Dairy	91.8	77.0	-16.1	-38,501	-73,109	34,608
Canned and frozen foods	95.5	79.0	-17.3	72,151	25,407	46,744
Grain mill	83.1	62.6	-24.7	-326,141	-303,578	-22,563
Bakery	94.3	91.6	-2.9	-45,044	-48,949	3,905
Farm machinery and equipment	69.6	57.4	-17.5	348	-21,701	22,049

Compiled from: U. S. Department of Commerce. The Bureau of the Census, Enterprise Statistics, Part I, Tables 1.1 and 2.1, p. 22ff, 1967; Company Statistics, 1954. Table 2, p. 4ff. Tabulations were adjusted to assure statistical comparability, so data differ from published series.

within the industry—not the industry's total employment.

During 1954-67, the industry ratio fell in each of the six industries studied. The range was from 3 percent for the bakery industry to 25 percent for the grain mill industry (table 15). In four industries, the total number of employees of companies classified within the industry fell, and in two, it rose. In meatpacking, the total number of employees dropped by 63,686 with practically all the decline occurring in the number pursuing a company's primary activity. The smaller decline of those in outside activities (2,342) resulted in the decline of the ratio. Similarly, the total number of employees in companies classified within the grain mill industry dropped by 326,141. The number employed in grain milling activities declined 303,578, and those in outside pursuits 22,563.

In the dairy industry, employment of companies dropped by 38,501. The number of employees of companies pursuing this industry's primary activity fell by 73,109, but the number engaged in outside activities rose by 34,608. In the bakery products industry the total number of employees of such companies declined by 45,044. The number of employees in baking companies in other activities rose by 3,905. In these two industries, diversification occurred through an expansion in outside activities with a simultaneous decline in their primary function.

In the canned and frozen food industry, total employment of companies increased by 72,151. Of this, 25,407 were associated with each company's primary activity, and 46,744 with outside activities. Thus, diversification increased because of greater growth in outside activities.

In the farm machinery and equipment industry, total employment grew by 348. However, the number of employees pursuing the primary activity fell by 21,701, while the number of employees associated with outside activities rose by 22,049. Here, the ratio decreased because of substantial growth in outside activities with a simultaneous decline in the primary activity.

Therefore, in each industry, there was an increase in diversification. This diversification resulted from companies primarily classified outside an industry entering the industry or expanding their activities in it and from companies classified within an industry initiating or expanding activities in other industries.

As Reid has pointed out:

- The fusion of firms in unrelated industries results in the substitution of ownership within each industry and does not increase levels of concentration within affected industries, despite the fact that a larger firm results from the combination of assets.⁶

⁶Garofan, Leon (Editor). op. cit. p. 51. The concept of company used by the Census Bureau for its Enterprise Statistics is not the same one it uses for computing its concentration ratios. Thus, this comment does not pertain to the Census concentration ratios.

However, over an extended period, large diversified firms may be in a better position to use gains from some activities to balance losses received from others. Thus, the longer run impact of such diversification upon concentration is uncertain. Smaller, less diversified firms will be in a less favorable position to compete, and if they should falter in future years, might disappear. The result would show up in increased concentration.

Kinds of Diversification

Changes in ownership and industry ratios measure the extent of diversification. The character of diversification is reflected by the change in the distribution of the number of employees⁷ in outside activities. For companies classified in each of the six industries, table 16 shows the percentage of total company employment associated with each outside industry for 1954 and 1967. In 1954, companies primarily classified as dairy reported that 3.7 percent of their employees were engaged in manufacturing (other than dairy) and mineral industry activities. In addition, 0.7 percent of their employees were engaged in wholesaling and 2.0 percent in retailing. By 1967, the corresponding percentages were: 18.2, 2.6 and 4.0.

Farm machinery and equipment companies increased their number of employees in nonfarm machinery manufacturing and mineral industries from 15.6 to 31.1 percent; their wholesaling activities from 0.1 to 0.5 percent, and their retailing from 0.1 to 2.1 percent. In most of these industries, the greatest expansion occurred in the manufacturing of complementary products which it sold. However, the integration into wholesaling and retailing was small. Grain mill company employment engaged in retailing increased from 0.1 to 5.4 percent, while dairy companies doubled the number of employees engaged in retail activities from 2.0 to 4.0 percent.

Table 17 reports the 1967 sales of all establishments in the six industries, according to the primary industry classification of the companies.⁸ Of course, companies which are classified the same as the industry's establishments account for the greatest proportion of total sales.

In each of the six industries, companies classified within the industries accounted for most of the total industry sales. The farm machinery and equipment industry, with 73 percent, was lowest. It was followed by grain mill products, 76 percent; canned and frozen

⁷The Bureau of the Census, *Enterprise Statistics*, 1967, table 2 and *Company Statistics*, 1954, table 3, provided employment figures. Where cells for specific industries were coded with an employment range because of a disclosure problem, the midpoint of the range was adopted.

⁸Estimates were made whenever publication of observed statistics would have resulted in the disclosure of figures for individual firms. The average-per-employee sales statistic was multiplied by the midpoint of a data cell's employment range to obtain the cell's total sales estimate.

foods, 79 percent; dairy, 83 percent; bakery products, 85 percent; and meatpacking, 91 percent.

In each industry, a wide variety of firms classified in outside industries accounted for the residual of sales. In the farm machinery and equipment industry, firms classified in grain mill and prepared feeds accounted for 8.0 percent of the total sales of the farm machinery and equipment industry. The next highest three were: other electrical machinery, 5.4 percent; radio, TV, and communications equipment, 2.7 percent; and ships and boats, 1.9 percent. The remaining 9.1 percent was distributed over numerous industries.

A wide spectrum of companies have entered the food industries studied. These include aircraft and guided missile firms, firms primarily producing industrial

chemicals, firms manufacturing service industry machines, and tobacco firms, as well as retail and wholesale stores.

This diversification appears to reflect both interest in product expansion and development of arrangements to assure quality and certainty of supply. Such diversification also helps document the shift away from a single or narrow product-line orientation to one which encompasses a network of activities and functions with particular emphasis upon the facilitating functions mentioned earlier. Such a perspective will encourage merchandising arrangements that would differ from a product-oriented approach. Thus, farm firms will likely encounter new merchandising arrangements in their dealings with both their suppliers and their customers.

Table 16.--Company diversification, 1954-67

Industry	Company employment ^{1/} in functions other than the company's primary activity					
	Manufacturing and mineral industries		Wholesaling		Retailing and services	
	1954	1967	1954	1967	1954	1967
	Percent					
Meatpacking	14.7	22.3	0.3	1.2	--	0.3
Dairy	3.7	18.2	.7	2.6	2.0	4.0
Canned and frozen foods	3.0	12.4	.2	1.8	.4	5.0
Grain mill	1.7	16.0	.9	5.1	.1	5.4
Bakery	2.0	6.1	.1	.6	2.9	3.9
Farm machinery and equipment	15.6	31.1	.1	.5	--	2.1
Six industries	5.8	16.9	.5	1.8	1.0	3.5

-- = less than 0.1 percent.

^{1/} Excludes employees of central administrative offices, auxiliaries, and manufacturers sales branches and sales offices. For computational purposes only the operating staff is included.

Table 17--Distribution of sales of 5 food processing industries and the farm equipment industry, by industry classification of companies reporting sales, 1967

Industry	Sales	Distribution of sales by industry of companies reporting sales 1/														
		20 : 20	20 : 20	20 : 20	20 : 20	20 : 20	20 : 20	20 : 20	20 : 20	20 : 20	20 : 20	20 : 20	20 : 20	20 : 20	20 : 20	20 : 20
		A	B	C&D	E&F	G&H	I&J	L	P	Q	R	A	B	C	D	E
	Mil. dol.	Percent														
Meat packing	15567.9	90.5	.5	-	1.0	-	-	-	-	-	-	-	-	-	-	-
Dairy products	12816.0	-	-	83.1	-	-	-	-	-	-	-	-	-	-	-	1.0
Canned and frozen foods	9358.1	-	-	5.2	78.5	-	-	2.2	1.5	-	2.6	-	-	-	-	-
Prepared feeds and grain mill	9890.4	-	2.3	-	-	75.9	2.2	-	-	2.3	4.5	-	-	-	-	-
Bakery products	6471.0	-	-	1.8	-	1.0	84.7	-	-	-	-	1.4	-	-	-	-
Farm machinery and equipment	4332.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of sales by industry of companies reporting sales																
		35 : 35	35 : 36	36 : 37	37 : 37	37 : 37	37 : 37	37 : 37	37 : 37	37 : 37	37 : 37	37 : 37	37 : 37	37 : 37	37 : 37	37 : 37
		B	K	A	E	A	B	D	B	A	others	Total				
		Percent														
Meat packing	15567.9	-	-	-	-	-	4.4	-	-	1.7	1.9	100				
Dairy products	12816.0	-	2.5	-	-	-	-	-	3.9	4.4	5.1	100				
Canned and frozen foods	9358.1	-	-	-	-	-	-	-	-	-	10.0	100				
Prepared feeds and grain mill	9890.4	-	-	-	-	-	-	-	-	-	12.8	100				
Bakery products	6471.0	-	-	-	-	-	-	-	-	8.7	2.4	100				
Farm machinery and equipment	4332.6	72.9	-	2.7	5.4	8.0	-	1.9	-	-	9.1	100				

1/ Industries are as follows: 20A meat packing, 20B prepared meat and poultry, 20 E&F canned and frozen foods, 20 G&H prepared feeds and grain mill, 20 I&J bakery products, 20L confectionery products, 20P bottled soft drinks and flavorings, 20Q fats and oils, 20R other food products, 21A tobacco products, 28B industrial chemicals, 35B farm machinery and equipment, 35K service industry machines, 36A radio, TV and communication equipment, 36E other electrical machinery, 37A motor vehicles and equipment, 37B aircraft and complete guided missiles parts, 37D ships and boats, 50B drugs, chemicals and allied products (wholesale), and 54A grocery stores (retail).

Source: The Bureau of the Census. Enterprise Statistics Program 1967, unpublished tabulation.

Table 18.--The market basket of farm foods by product group: Retail cost, farm value, farm-retail spread, and farmer's share of retail cost, quarterly 1972-73.

Item	1972				1973	
	I	II	III	IV	I	II
----- Dollars -----						
Retail cost						
Market basket	1,291.36	1,297.85	1,323.42	1,330.63	1,413.83	1,497.05
Meat	410.56	413.39	431.76	431.82	476.61	507.11
Dairy	228.32	229.74	227.89	230.01	234.48	239.94
Poultry	50.63	49.99	51.19	50.73	59.96	70.30
Eggs	37.26	35.22	37.67	41.86	50.32	49.90
Bakery and cereal:						
All ingredients	192.15	192.88	191.47	192.33	196.05	203.91
Grain	--	--	--	--	--	--
Fresh fruits	53.52	57.54	64.05	60.34	60.66	66.24
Fresh vegetables	87.73	86.77	88.15	90.40	101.10	119.12
Proc. fruits and veg. ...	127.40	127.99	127.72	129.13	130.42	133.17
Fats and oils	45.66	45.60	44.86	44.83	44.61	44.66
Miscellaneous	58.14	58.73	58.66	59.17	59.62	60.70
Farm value						
Market basket	506.82	510.53	533.96	535.09	616.31	665.19
Meat	234.95	239.72	251.28	247.18	294.27	312.58
Dairy	108.43	108.62	108.63	110.08	113.00	114.75
Poultry	24.38	23.49	25.78	24.78	33.95	40.73
Eggs	20.59	18.20	22.21	25.85	33.43	33.28
Bakery and cereal:						
All ingredients	29.94	30.32	31.55	36.34	38.02	41.28
Grain	22.41	22.76	24.29	29.13	29.76	31.52
Fresh fruits	15.41	16.26	19.99	19.33	20.74	23.66
Fresh vegetables	27.38	27.35	29.90	27.82	36.45	46.31
Proc. fruits and veg. ...	23.69	24.14	23.89	24.08	24.31	24.69
Fats and oils	12.97	13.42	11.72	10.04	12.36	17.66
Miscellaneous	9.08	9.00	9.01	9.51	9.78	10.25
Farm-retail spread						
Market basket	784.54	787.32	789.46	795.54	797.52	831.86
Meat	175.61	173.67	180.48	184.64	182.34	194.53
Dairy	119.89	121.12	119.26	119.93	121.48	125.19
Poultry	26.25	26.50	25.41	25.95	26.01	29.57
Eggs	16.67	17.02	15.46	16.01	16.89	16.62
Bakery and cereal:						
All ingredients	162.21	162.56	159.92	155.99	158.03	162.63
Grain	--	--	--	--	--	--
Fresh fruits	38.11	41.28	44.06	41.01	39.92	42.58
Fresh vegetables	60.35	59.42	58.25	62.58	64.65	72.81
Proc. fruits and veg. ...	103.71	103.85	103.83	105.05	106.11	108.48
Fats and oils	32.69	32.18	33.14	34.79	32.25	29.00
Miscellaneous	49.06	49.73	49.65	49.66	49.84	50.45
Farmer's share						
----- Percent -----						
Market basket	39.2	39.4	40.3	40.2	43.6	44.4
Meat	57.2	58.0	58.2	57.2	61.7	61.6
Dairy	47.5	47.3	47.7	47.9	48.2	47.8
Poultry	48.2	47.0	50.4	48.8	56.6	57.9
Eggs	55.3	51.7	59.0	61.8	66.4	66.7
Bakery and cereal:						
All ingredients	15.6	15.7	16.5	18.9	19.4	20.2
Grain	11.7	11.8	12.7	15.2	15.2	15.5
Fresh fruits	28.8	28.3	31.2	32.0	34.2	35.7
Fresh vegetables	31.2	31.5	33.9	30.8	36.1	38.9
Proc. fruits and veg. ...	18.6	18.9	18.7	18.6	18.6	18.5
Fats and oils	28.4	29.4	26.1	22.4	27.7	37.8
Miscellaneous	15.6	15.3	15.4	16.1	16.4	16.9

Table 19.--Farm food products: Retail price, farm value, farm-retail spread, and farmer's share of retail price, April-June 1973, January-March 1973 and April-June 1972.

Product 1/	Retail unit	Retail price			Farm value			Farm-retail spread			Farmer's share		
		II	I	II	II	I	II	I	II	I	II	I	II
		1973	1973	1972	1973	1973	1972	1973	1973	1972	1973	1973	1972
Cents													
													Percent
Beef, Choice	Pound	135.8	129.2	112.3	92.9	87.4	73.6	42.9	38.7	41.8	68	68	66
Lamb, Choice	Pound	138.7	131.8	116.9	72.0	74.5	64.2	66.7	52.7	57.3	52	57	55
Pork	Pound	103.1	98.1	79.9	64.9	63.7	44.3	38.2	35.6	34.4	63	65	55
Butter	Pound	85.2	87.5	87.1	51.4	57.1	58.6	33.8	28.5	30.4	60	65	67
Cheese, American													
process	½ pound	58.5	56.4	54.1	27.1	25.9	23.8	31.4	30.3	30.5	46	46	44
Ice cream	½ gallon	88.6	86.9	85.9	29.5	30.0	29.0	59.1	56.9	56.9	33	35	34
Milk, evaporated	14½-ounce can	21.9	20.7	20.0	10.3	9.8	9.3	11.6	10.9	10.9	47	47	47
Milk, fresh:													
Home delivered	½ gallon	72.6	71.3	68.9	32.4	31.7	30.1	40.2	38.8	39.6	45	44	44
Sold in stores	½ gallon	62.6	61.5	60.0	32.4	31.7	30.1	30.2	29.9	29.8	52	52	50
Chicken, frying	Pound	58.3	49.9	40.7	33.7	28.3	19.0	24.6	21.7	21.6	58	57	47
Turkey	Pound	68.1	57.5	55.4	40.6	32.7	27.6	27.5	27.8	24.8	60	57	50
Eggs, large Grade A ..	Dozen	69.0	69.7	48.4	46.0	46.4	25.0	23.0	23.4	23.3	67	67	52
Bread, white:													
All ingredients	Pound	26.2	25.1	24.7	4.8	4.6	3.6	21.4	21.1	20.5	18	18	15
Wheat	Pound	--	--	--	3.6	3.4	2.6	--	--	--	14	14	11
Bread, whole wheat ..	Pound	41.2	40.3	39.5	4.4	4.1	3.2	36.8	36.3	36.2	11	10	8
Cookies, sandwich	Pound	56.5	56.4	55.5	8.2	7.0	6.5	48.3	49.0	49.4	15	12	12
Corn flakes	12 ounces	31.9	30.7	31.3	3.3	2.4	2.0	28.6	29.3	28.3	10	8	6
Flour, white	5 pounds	68.8	64.4	59.4	28.7	27.6	21.0	40.1	38.4	36.8	42	43	35
Rice, long grain	Pound	26.7	25.2	24.0	11.9	11.5	8.0	14.8	16.0	13.7	45	46	33
Apples	Pound	30.9	25.4	25.0	13.0	9.6	7.6	17.9	17.4	15.8	38	38	30
Grapefruit	Each	18.2	17.4	17.9	4.4	3.9	4.9	13.8	13.0	13.5	24	22	27
Lemons	Pound	36.8	35.7	34.5	8.9	10.4	10.4	27.9	24.1	25.3	24	29	30
Oranges	Dozen	102.1	98.0	89.7	21.9	21.5	19.6	80.2	70.1	76.5	21	22	22
Cabbage	Pound	19.3	15.8	14.1	7.3	5.5	4.0	12.0	10.1	10.3	38	35	28
Carrots	Pound	21.0	22.7	21.3	6.8	7.6	7.5	14.2	13.8	15.1	32	33	35
Celery	Pound	23.2	24.1	22.4	6.0	7.8	5.5	17.2	16.9	16.3	26	32	25
Cucumbers	Pound	35.6	37.0	32.5	11.6	17.1	13.4	24.0	19.9	19.9	33	46	41
Lettuce	Head	50.0	37.3	31.5	22.4	12.5	9.6	27.6	21.9	24.8	45	34	30
Onions	Pound	34.6	24.4	15.6	17.7	12.8	5.4	16.9	10.2	11.6	51	52	35
Peppers, green	Pound	64.3	53.7	63.6	21.9	19.1	29.4	42.4	34.2	34.6	34	36	46
Potatoes	10 pounds	141.2	111.3	85.5	51.4	35.6	21.4	89.8	64.1	75.7	36	32	25
Tomatoes	Pound	46.8	52.9	49.5	19.7	21.1	18.1	27.1	31.4	31.8	42	40	37

Continued--

Table 19.--Farm food products: Retail price, farm value, farm-retail spread, and farmer's share of retail price, April-June 1973, January-March 1973, and April-June 1972.

Products	Retail unit	Retail price			Farm value			Farm-retail spread			Farmer's share		
		II	I	II	II	I	II	I	II	I	II	I	
		1973	1973	1972	1973	1973	1972	1973	1972	1973	1972	1973	
----- Cents -----													
----- Percent -----													
Peaches, canned	No. 2½ can	39.7	38.7	37.3	7.1	7.1	7.3	32.6	31.6	30.0	18	18	20
Pears, canned	No. 2½ can	56.2	55.1	53.1	12.1	12.1	9.4	44.1	43.9	43.7	22	22	18
Beets, canned	No. 303 can	23.1	22.0	20.5	1.3	1.3	1.3	21.8	20.7	19.2	6	6	6
Corn, canned	No. 303 can	24.6	24.4	24.4	2.8	2.8	2.7	21.8	21.6	21.7	11	11	11
Peas, canned	No. 303 can	26.8	26.5	26.4	4.0	4.0	3.9	22.8	22.5	22.5	15	15	15
Tomatoes, canned	No. 303 can	24.4	23.7	22.6	2.8	2.8	2.7	21.6	20.9	19.9	11	12	12

Lemonade, frozen	6-ounce can	14.7	14.6	14.3	3.8	3.8	3.4	10.9	10.8	10.9	26	26	24
Orange juice, frozen	6-ounce can	25.1	25.1	25.0	8.3	9.4	10.7	16.8	15.7	14.3	33	37	43
Potatoes, french fried, frozen	9 ounces	17.0	16.8	16.6	3.9	3.3	2.2	13.1	13.5	14.4	23	20	13
Peas, frozen	10 ounces	23.6	23.3	22.4	3.6	3.6	3.6	20.0	19.7	18.8	15	15	16
Beans, dried	Pound	26.4	25.7	24.7	12.8	9.6	11.2	13.6	16.1	13.5	48	37	45

Margarine	Pound	34.2	32.7	33.3	13.4	8.7	9.6	20.8	24.0	23.7	39	27	29
Peanut butter	12-ounce jar	51.7	51.1	50.7	18.4	18.4	16.8	33.3	32.7	33.9	36	36	33
Salad and cooking oil	24-oz. bottle	66.4	63.1	64.8	20.4	13.9	15.5	46.0	49.2	49.3	31	22	24
Vegetable shortening	3 pounds	101.6	96.8	98.0	46.2	31.7	34.4	55.4	65.1	63.6	45	33	35

Sugar	5 pounds	73.1	71.2	69.6	31.6	31.6	30.0	41.5	39.6	39.6	43	44	43
Spaghetti, canned	15½-oz. can	20.0	19.9	19.2	2.4	2.3	2.1	17.6	17.6	17.1	12	12	11

1/ Primary products in the farm-food market basket.

2/ Preliminary.

Table 20.--Farm food products: Retail price, farm value, byproduct allowance, farm-retail spread, and farmer's share of retail price, second quarter 1973.

Product	Farm equivalent	Retail unit	Retail price	Gross farm value	Byproduct allowance	Net farm value	Farm-retail spread	Farmer's share
					Cents			Percent
Beef, Choice grade	2.28 lb. Choice cattle	Pound	135.8	102.9	10.0	92.9	42.9	68
Lamb, Choice grade	2.43 lb. lamb	Pound	138.7	85.4	13.4	72.0	66.7	52
Pork	1.97 lb. hog	Pound	103.1	71.0	6.1	64.9	38.2	63
Butter	Milk for butter	Pound	85.2	128.4	77.0	51.4	33.8	60
Cheese, American proc.	Milk for American cheese ..	$\frac{1}{2}$ pound	58.5	27.9	.8	27.1	31.4	46
Ice cream	Cream, milk, and sugar	$\frac{1}{2}$ gallon	88.6	--	--	29.5	59.1	33
Milk, evaporated	Milk for evaporating	$1\frac{1}{2}$ -ounce can	21.9	--	--	10.3	11.6	47
Milk, fresh:								
Home delivered	4.39 lb. Class I milk	$\frac{1}{2}$ gallon	72.6	--	--	32.4	40.2	45
Sold in stores	4.39 lb. Class I milk	$\frac{1}{2}$ gallon	62.6	--	--	32.4	30.2	52
Chicken, frying	1.41 lb. broiler	Pound	58.3	--	--	33.7	24.6	58
Turkey	1.28 lb. turkey	Pound	68.1	--	--	40.6	27.5	60
Eggs, Grade A Large	1.03 dozen	Dozen	69.0	--	--	46.0	23.0	67
Bread, white:								
All ingredients	U.S. farm ingredients $2\frac{1}{2}$..	Pound	26.2	--	--	4.8	21.4	18
Wheat .....	.867 lb. wheat $2\frac{1}{2}$	Pound	--	4.2	.6	3.6	--	14
Bread, whole wheat .....	.708 lb. wheat $2\frac{1}{2}$	Pound	41.2	--	--	4.4	36.8	11
Cookies, sandwich .....	.528 lb. wheat $2\frac{1}{2}$	Pound	56.5	--	--	8.2	48.3	15
Corn flakes	2.87 lb. yellow corn $3\frac{1}{2}$	12 ounces	31.9	8.8	5.5	3.3	28.6	10
Flour, wheat	6.85 lb. wheat $2\frac{1}{2}$	5 pounds	68.8	34.2	5.5	28.7	40.1	42
Rice, long grain	1.59 lb. rough rice	Pound	26.7	13.1	1.2	11.9	14.8	45
Apples	1.04 lb. apples	Pound	30.9	--	--	13.0	17.9	42
Grapefruit	1.03 grapefruit	Each	18.2	--	--	4.4	13.8	24
Lemons	1.04 lb. lemons	Pound	36.8	--	--	8.9	27.9	24
Oranges	1.03 dozen oranges	Dozen	102.1	--	--	21.9	80.2	21
Cabbage	1.08 lb. cabbage	Pound	19.3	--	--	7.3	12.0	38
Carrots	1.03 lb. carrots	Pound	21.0	--	--	6.8	14.2	32
Celery	1.08 lb. celery	Pound	23.2	--	--	6.0	17.2	26
Cucumbers	1.09 lb. cucumbers	Pound	35.6	--	--	11.6	24.0	33
Lettuce	1.88 lb. lettuce	Head	50.0	--	--	22.4	27.6	45
Onions	1.06 lb. onions	Pound	34.6	--	--	17.7	16.9	51
Peppers, green	1.09 lb. peppers	Pound	64.3	--	--	21.9	42.4	34
Potatoes	10.42 lb. potatoes	10 pounds	141.2	--	--	51.4	89.8	36
Tomatoes	1.18 lb. tomatoes	Pound	46.8	--	--	19.7	27.1	42

Continued--

Table 20.--Farm food products: Retail price, farm value, byproduct allowance, farm-retail spread, and farmer's share of retail price, second quarter 1973.

Product	Farm equivalent	Retail unit	Retail price	Gross farm value	Byproduct allowance	Net farm value 1/	Farm-retail spread	Farmer's share
Cents							Percent	
Peaches, canned	1.52 lb. Calif. cling	No. 2½ can	39.7	--	--	5/ 7.1	32.6	18
Pears, canned	1.81 lb. pears for canning	No. 2½ can	56.2	--	--	5/ 12.1	44.1	22
Beets, canned	1.19 lb. beets for canning	No. 303 can	23.1	--	--	1.3	21.8	6
Corn, canned	2.25 lb. sweet corn	No. 303 can	24.6	--	--	2.8	21.8	11
Peas, canned	.725 lb. peas for canning	No. 303 can	26.8	--	--	4.0	22.8	15
Tomatoes, canned	1.515 lb. tomatoes for canning	No. 303 can	24.4	--	--	2.8	21.6	11
Lemonade, frozen	.834 lb. lemons for processing	6-ounce can	14.7	--	--	5/ 3.8	10.9	26
Orange juice, frozen	3.25 lb. oranges	6-ounce can	25.1	--	--	8.3	16.8	33
Potatoes, french fried, frozen	1.41 lb. potatoes	9 ounces	17.0	--	--	3.9	13.1	23
Peas, frozen	.68 lb. peas for canning	10 ounces	23.6	--	--	3.6	20.0	15
Beans, dried	1.04 lb. dry beans	Pound	26.4	--	--	12.8	13.6	48
Margarine	Soybeans, cottonseed, and milk	Pound	34.2	62.5	49.1	13.4	20.8	39
Peanut butter	1.21 lb. peanuts	12-ounce jar	51.7	--	--	18.4	33.3	36
Salad and cooking oil	Soybeans, cottonseed, and corn	24-oz. bottle	66.4	104.8	84.4	20.4	46.0	31
Vegetable shortening	Soybeans and cottonseed	3 pounds	101.6	220.3	174.1	46.2	55.4	45
Sugar	Sugar beets and cane	5 pounds	73.1	33.6	2.0	31.6	41.5	43
Spaghetti, canned	Wheat, tomatoes, cheese, and sugar	15½-ounce can	20.0	--	--	2.4	17.6	12

1/ Payment to farmers for equivalent quantities of farm products (gross farm value) minus imputed value of byproducts obtained in processing.

2/ Farm values for wheat products are based on market price of wheat received by farmers plus cost of the marketing certificate to millers. This cost is returned to farmers complying with the Wheat Program.

3/ Farm value based on market price of corn received by farmers; no allowance made for price support payment received by farmers who comply with the Federal Feed Grain Program.

4/ Net farm value including Government payments to producers was 35.5 cents with a farmer's share of 49 percent. Farm-retail spread less Government processor tax was 38.8 cents.

5/ Includes farm value for sugar.

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